

Procurement Process - ACBA4026

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Introduction

As a developer in Swansea embarking on a new residential development, selecting the right procurement route is a critical decision that will significantly impact the speed and efficiency of your project. Here are three of the top procurement routes available to you, along with their respective advantages and disadvantages:

Top Three Procurement Routes for Your Residential Development

1.) Design and Build

Description:

In this route, you appoint a single contractor to be responsible for both the design and construction of the apartments. Typically, you would provide an Employer's Requirements document outlining your needs, and the contractor would then develop the detailed design and construct the works. Design and Build procurement works on the basis that the main contractor is responsible for undertaking both the design and construction work on a project, for an agreed lump-sum price. (*JCT (2018a)*)

Pros:

Speed: This route often allows for a faster overall project completion time. Design and construction phases can overlap, leading to programme efficiencies. Early contractor involvement can also facilitate value engineering and buildability considerations during the design stage.

Single Point of Responsibility: You have a single point of contact for both design and construction issues, simplifying communication and risk allocation. The contractor takes on greater responsibility for the overall project delivery.

Cost Certainty (Potentially): If a lump-sum contract is used within this route, you can achieve greater cost certainty early in the project.

Reduced Client Involvement: The contractor manages the design process, potentially reducing the direct management burden on you as the developer.

Cons:

Less Client Control over Design: You have less direct control over the detailed design as it is developed by the contractor. It's crucial to have a well-defined Employer's Requirements document to ensure your needs are met.

Potential for Higher Initial Costs: While cost certainty can be achieved, the initial tender prices might be higher to reflect the contractor's increased risk and responsibility for design.

Potential for Disputes: Ambiguities or inadequacies in the Employer's Requirements can lead to variations and potential disputes later in the project.

2. Traditional (Bill of Quantities)

Description:

A bill of quantities is essentially a list of all the materials and labour that will be required for your desired build (Landau, 2023). This route involves you appointing separate consultants (architects, engineers, etc.) to complete the full design before a contractor is appointed through a competitive tendering process based on a detailed Bill of Quantities (BoQ).

Pros:

Greater Client Control over Design: You have significant control over the design process through your appointed consultants, ensuring the final product aligns precisely with your vision.

Competitive Tendering: Tendering based on a detailed BoQ can lead to competitive pricing from contractors.

Well-Established Processes: This is a well-understood and widely used procurement route with established legal precedents and industry practices.

Cons:

Longer Project Duration: One of the main drawbacks of a BoQ is that it can be time-consuming to prepare (Alastair, 2024). The sequential nature of design completion followed by tendering and then construction typically results in a longer overall project duration compared to Design and Build.

Clear Definition of Scope Required: Changes after the design is finalized and the contract is awarded can lead to costly variations and delays.

Two Main Points of Responsibility: You manage separate contracts with the design team and the contractor, potentially increasing your administrative burden.

3. Construction Management

Description:

Management procurement is a method where construction work is completed using a series of separate works or trade contracts which the main contractor is responsible for managing (*JCT, 2018b*). In this route, you appoint a professional construction manager to oversee and coordinate the project. The construction manager typically procures various work packages with different trade contractors. You retain direct contractual relationships with each trade contractor.

Pros:

High Degree of Client Control: You have significant control over the selection of trade contractors and the overall construction process.

Flexibility: This route offers flexibility to adjust the project as it progresses.

Potential for Cost Savings: If managed effectively, you might achieve cost savings by directly procuring trade packages.

Cons:

Significant Client Involvement and Risk: This route demands a high level of your involvement in managing and coordinating the project and carries significant contractual and financial risks associated with managing multiple contractors.

Uncertainty of Final Cost and Duration: The final cost and duration can be less certain at the outset as they depend on the performance of individual trade contractors.

Requires Expertise: Successful implementation requires a high level of construction knowledge and management expertise on your part or within your appointed construction management team.

Advice on the Best Procurement Route for Speed

Given your primary focus on delivering the project quickly, the Design and Build procurement route is generally the most suitable option.

Reasons:

Overlapping Phases: As mentioned earlier, the ability to overlap the design and construction phases significantly shortens the overall project programme. While the initial design development takes time, construction activities can commence on earlier design packages, leading to faster progress on site.

Early Contractor Involvement: Engaging a contractor early in the process allows for their input on buildability and value engineering, which can streamline the design and construction processes and potentially identify time-saving opportunities.

Single Point of Accountability: With a single contractor responsible for both design and construction, there is a clear accountability for meeting the project timeline. This can reduce coordination issues and potential delays that can arise when managing separate design and construction teams.

Programme Confidence: While the initial design phase needs careful management, once the design is agreed upon, a well-structured Design and Build contract can provide greater certainty regarding the construction programme. While the Traditional route offers greater design control, the sequential nature of the process inherently makes it slower. The Construction Management route, while potentially flexible, requires significant coordination and carries a higher risk of delays if not managed expertly, making it less suitable when speed is the primary driver, especially for a relatively inexperienced developer.

Reasons for Recommending JCT:

Familiarity and Widespread Use in Residential Development: The JCT suite of contracts is widely used and well-understood within the UK construction industry, particularly for residential projects of this nature. This means that contractors and consultants you engage are likely to be familiar with its terms and conditions, potentially leading to a smoother contractual process.

Established Legal Precedent: JCT contracts have a long history and a significant body of case law associated with them. This can provide a greater degree of legal certainty and predictability in the event of disputes.

Clear and Comprehensive Documentation: The JCT suite offers a range of standard forms suitable for different procurement routes and project complexities. For a mid-level specification residential development, options like the JCT Design and Build Contract or the JCT Standard Building Contract with Quantities would be appropriate and provide a comprehensive framework for the project. JCT uses legal language and more precise terms. (Wells, 2022)

Industry Understanding and Acceptance: Due to their prevalence, JCT contracts are generally more readily understood and accepted by banks, funders, and other stakeholders involved in property development.

Reasons Why NEC Might Be Less Suitable for Your Situation:

Emphasis on Collaboration and Active Management: While collaboration is beneficial, NEC contracts place a significant emphasis on proactive project management and communication, with more formal procedures for early warnings, compensation events, and programme management. For a developer with limited experience, navigating these processes effectively can be challenging and potentially lead to unintended consequences if not managed correctly.

Different Risk Allocation Philosophy: NEC contracts often have a different approach to risk allocation compared to JCT. While aiming for a more collaborative approach, the mechanisms for dealing with unforeseen events might require a more sophisticated understanding of project management principles.

Potentially Steeper Learning Curve: For someone new to development, the terminology, processes, and administrative requirements of NEC contracts might present a steeper learning curve compared to the more traditional structure of JCT contracts.

Recommendation:

Given your focus on speed (suggesting Design and Build) and your inexperience, opting for the JCT Design and Build Contract would likely be a prudent choice. This contract aligns well with the Design and Build procurement route and provides a familiar and well-established legal framework for your project. Ensure you invest time in thoroughly understanding the contract terms and seek professional advice on any aspects you are unsure about.

By carefully considering these procurement routes and the suitability of the JCT suite of contracts, you can lay a solid foundation for the successful and timely delivery of your residential development in Swansea.

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