

HAMPSHIRE COUNTY COUNCIL

Decision Maker:	Buildings, Land and Procurement Panel
Date:	27 May 2010
Title:	Procurement Initiatives, Performance Assessment and Building Cost Trends
Decision Reference:	1423
Report From:	Director of Property, Business and Regulatory Services

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1. Executive Summary

1.1. The purpose of this report is to:

- Obtain approval to the selection and appointment of a contractor through the Improvement and Efficiency South East (IESE) Tier 2 Framework to provide pre-construction services for the improvement and refurbishment project at Hampshire House in Eastleigh
- Obtain approval to the selection and appointment of a contractor through the Improvement and Efficiency South East (IESE) Tier 2 Framework to provide pre-construction services for the formation of Cranford Park Primary School (proposed amalgamation of Yateley Infant School and St Peter's Church of England Junior School) in Yateley
- Obtain approval to establish an Asbestos Repair, Management and Minor Removal Framework
- Obtain approval to the procurement of a regional ICT managed services framework on behalf of the Regional Education Partnership subject to approval of the Department for Education
- Obtain approval to additions and amendments to the NDS Programme and other miscellaneous approvals
- Provide a summary of the performance analysis for construction projects completed in 2009/10
- Provide examples of construction costs for projects undertaken during 2009/10 and future trends.

2. Contextual information

2.1. The Executive Member for Policy and Resources approved on 14 April 2010 the annual review of construction related procurement for 2009/10

and a series of new initiatives to be implemented during 2010/11 and beyond.

- 2.2. A summary of the performance analysis for construction projects completed in 2008/09 and examples of construction costs for projects undertaken during 2008/09 were reported to the Panel on 30 June 2009.
- 2.3. The completion of projects and programmes of work through framework arrangements ensures that schemes and programmes of work are delivered in a cost-effective way, involving closer working and collaboration with the construction industry which ensures continuous improvement in the County Council's services and enhances the quality of place in Hampshire.

3. Development of Procurement Model

- 3.1. The Property Services Procurement Model is based on the procurement of projects and programmes of work through a range of general and specialist frameworks and other collaborative arrangements. As previously reported to the Panel, further frameworks were being procured during 2009/10.
 - 3.1.1 OJEU tenders have been completed for the following additional arrangements and are due to commence in June 2010:
 - New consultant framework for building surveying services
 - A framework for procurement of external repair and decoration work
 - Renewal of the framework for hire and purchase of temporary buildings.
 - 3.1.2 Further details on the scope of these frameworks and the successful tenderers are provided at Appendix 1.
 - 3.1.3 Tenders were returned on 29 April 2010 for the framework for electrical testing and inspection. Progress and the outcome of this tender will be reported to a future Panel meeting.
- 3.2 Projects and Programmes of Work
 - 3.2.1 It is proposed to select and appoint a contractor through the IESE Tier 2 framework to progress the proposed Eastleigh Workstyle improvement and refurbishment project at Hampshire House in Eastleigh on a traditional basis.
 - 3.2.2 To meet the anticipated construction programme, approval is sought for the selection and appointment of a contractor to provide pre-construction services prior to approval of the project appraisal and formation of the construction contract later in the year. The estimated maximum value of the contractor's fee for pre-construction services is £25,000.

- 3.2.3 It is proposed to select and appoint a contractor through the IESE Tier 2 framework to progress the formation of Cranford Park Primary School in Yateley on a develop and construct basis.
- 3.2.4 To meet the anticipated construction programme, approval is sought for the selection and appointment of a contractor to provide pre-construction services prior to approval of the project appraisal and formation of the construction contract later in the year. The estimated maximum value of the contractor's fee for pre-construction services is £150,000.

4. Asbestos Repair, Management and Minor Removal

- 4.1. Hampshire Scientific Services conduct various categories of inspection, both routine and ad hoc, in order to meet their asbestos management duties. Asbestos Repair Instructions (ARI) may be issued as a consequence of those inspections requiring the remediation of any defect considered to represent a hazard to health. Works are currently procured on ad hoc basis using several of the specialist asbestos removal contractors on the Register of Contractors. The average value of each order is £900 and the overall cost in 2009/10 was in the order of £250k.
- 4.2. A schedule of rates within a framework is expected to generate costs at a lower level than the current arrangements, as has been demonstrated by the Reactive Building Maintenance Framework.
- 4.3. It is proposed that contractors would be delegated the responsibility for programming the work to achieve the most efficient execution of the work within the timescale established by the latest date for completion identified in each ARI. Further efficiencies will be developed in rationalising the issue, management and invoicing of ARI.
- 4.4. Work quality will improve with a contractor's involvement in a long term arrangement with regular monitoring and feedback.
- 4.5. It is proposed that three contractors be appointed, one for each of the Term Contact Areas, to match both Term Engineering and Reactive Building Maintenance Frameworks already in place.
- 4.6. To optimise initial set-up costs and to obtain maximum benefit from contractor familiarisation, a four year framework is recommended.

5. Regional Education Partnership

- 5.1. The major projects update report presented to the Panel in March 2010 outlined plans to create a Regional Education Partnership (REP) for delivery of Building Schools for the Future waves across the south east. The report described the disaggregation of the individual components of the conventional Local Education Partnership (LEP) into a series of regional frameworks for design and build (using the existing IESE

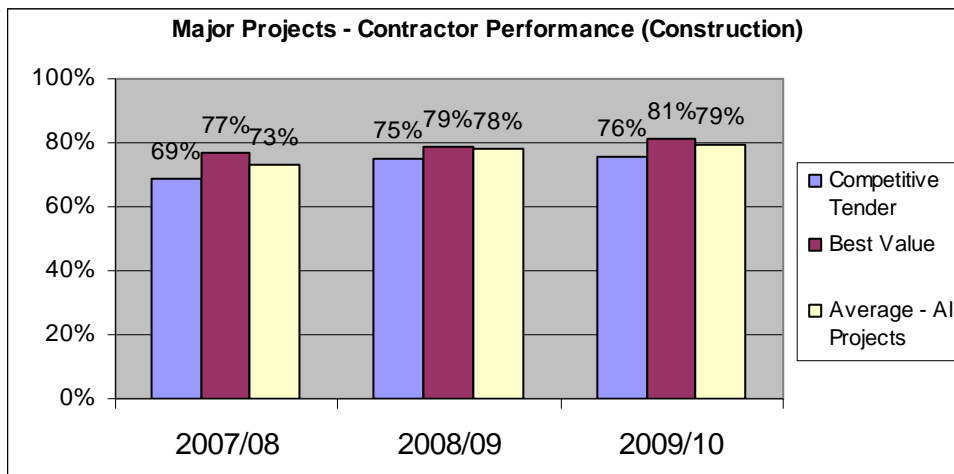
framework), ICT, PFI projects, Facilities Management or Maintenance, and a shared service approach to the scoping of educational transformation. It was noted that a memorandum of understanding between the County Council and Partnership for Schools (PfS) had been signed, to jointly develop these proposals, and PfS had employed a consultant to work with the County Council to arrive at a mutually acceptable solution, formulated in a procurement business case. The business case is now almost complete and subject to the approval of the Department for Education the plan is to commence development of the governance arrangements and procurement. The first stage of the REP specific procurement will be to establish the key ICT framework.

- 5.2. The ICT framework will be a regional framework comprising a panel of between 3 and 6 ICT providers. Once established the ICT framework may be used by local authorities across the south east and neighbouring regions. The framework will last for a period of 4 years. The County Council will act as the lead authority for this procurement on behalf of the REP. Further information about BSF is set out in the Major Projects Update report (Item 11 on this agenda).

6. Performance Assessment

- 6.1. Property Services operates a comprehensive system of performance management for all construction activities. This includes measurement of contractor, consultant and project team performance, client feedback and project performance including cost and time predictability. Below is a summary of the performance results for a range of construction projects undertaken during 2009/10.
- 6.2. Major Projects
 - 6.2.1. A total of 17 Hampshire major projects with a construction value greater than £500,000 were completed by Property Services during the financial year 2009/10. 11 of these were procured through framework arrangements and 6 schemes were procured through competitive tender.
 - 6.2.2. The number of major projects completed last year was higher due to the Phase II Children's Centre projects completed during 2008/09. The next phase of Children's Centres has mostly fallen below the financial threshold for classification as major projects. The record set for 2009/10 includes the refurbishment of the County Council headquarters building at Elizabeth II Court. There has also been increased activity on external projects this year with 8 major projects completed for external clients during 2009/10 which are not included in this report.
 - 6.2.3. Key Performance Indicators (KPI's) are recorded for contractor performance during the construction phase for all major projects. The average KPI results for projects completed during 2009/10 compared with

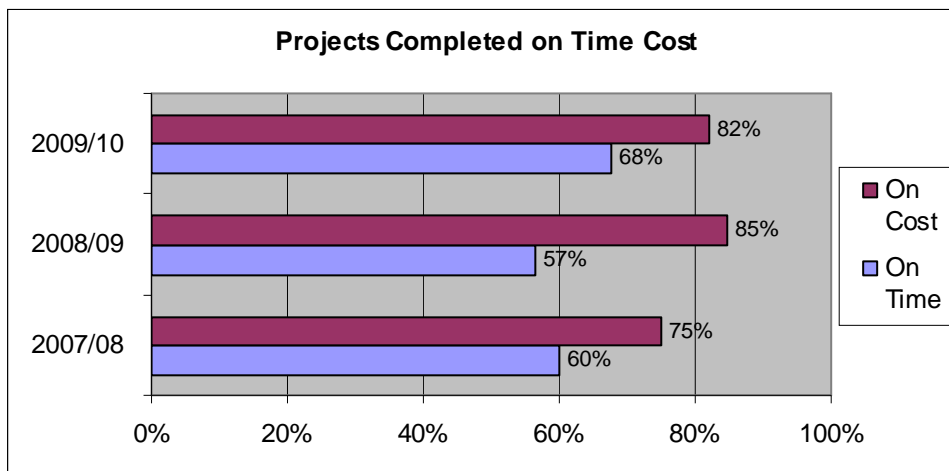
those for projects completed during 2007/08 and 2008/09 are shown below:



6.2.4. The KPI results for contractor performance on all major projects has improved slightly from last years results, with the 2% year on year improvement in the results for the best value sample maintained and a 1% increase in the competitive tender results.

6.3. Cost and Time Predictability

6.3.1. Cost and time predictability was assessed for 34 projects completed during 2009/10, including all major projects and some lower value projects where a quantity surveyor was allocated. The chart below shows the percentage of major projects completed on time and on cost, allowing for extensions of time and additional approvals for the last three financial years:



6.3.2. The percentage of projects completed on cost is slightly lower than last year, however, there is a significant increase in the percentage of projects completed on time. 23 projects were completed within the agreed contract period.

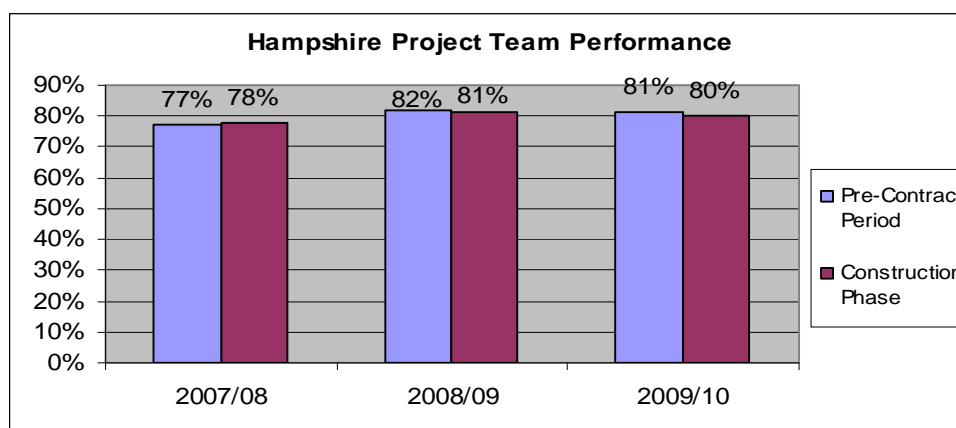
6.3.3. Of the 11 projects completed beyond timescale, 6 were completed within two weeks of the agreed contract period and 10 were completed within three weeks. The remaining project was completed one month after the revised contract completion date. Time management issues with this project related mostly to the final stages with the contractor accepting that good work earlier in the contract was let down by delays in finishing towards the end.

6.3.4. The cumulative variation in time and cost for all projects assessed during 2009/10 were significantly lower than in previous years. This demonstrates continuing improvement driven by robust management of monitoring of contractors' activities.

6.4. Hampshire Project Team

6.4.1. Two way reviews are undertaken for framework projects on completion of both the pre-contract and construction phases, allowing the contractor to score Property Services project team, in addition to the project team scoring the contractors performance. These two way performance reviews facilitate an open and honest assessment of the project and identify areas where project processes can be improved in order to drive continuous improvement in both design and construction performance.

6.4.2. Contractor performance results are reported under the separate framework headings. Hampshire Project Team performance for the Pre-Contract and Post-Contract periods are shown below:

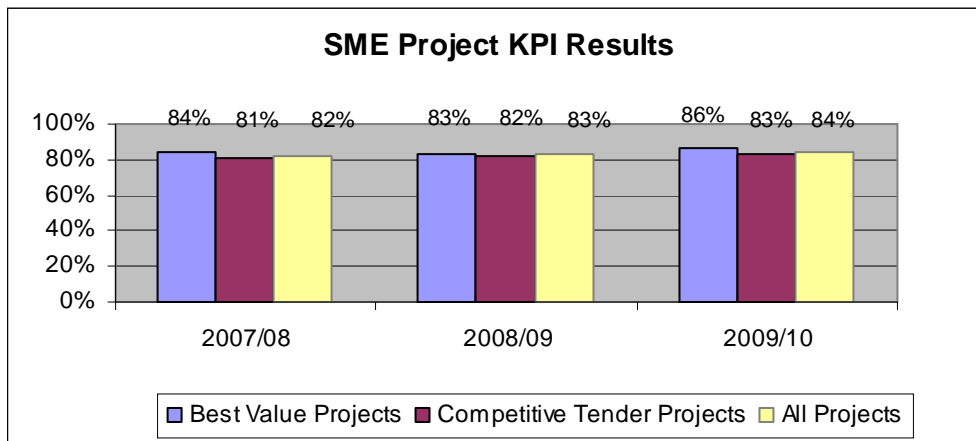


6.4.3. The scores awarded by Framework contractors for Hampshire County Council's project teams are slightly lower than last year but remain at a good standard. Pre-Contract scores are slightly higher than those for the construction phase.

6.5 Medium and Small Value Projects

6.5.1. KPI scores for contractor performance are captured on all projects with a construction value less than £500k. 384 KPI records were captured for projects completed during 2009/10 including 271 projects procured through competitive tender and 113 projects procured through best value routes.

6.5.2. The competitively tendered sample comprises a wide range of projects, including those of low value and specialist works such as external decorations and roofing. The best value projects tend to be the higher value or more complex projects, which benefit from the early involvement of a contractor. The average KPI scores for projects completed during 2009/10, compared to those for projects completed during 2008/09 and 2007/08 are shown in the following chart:

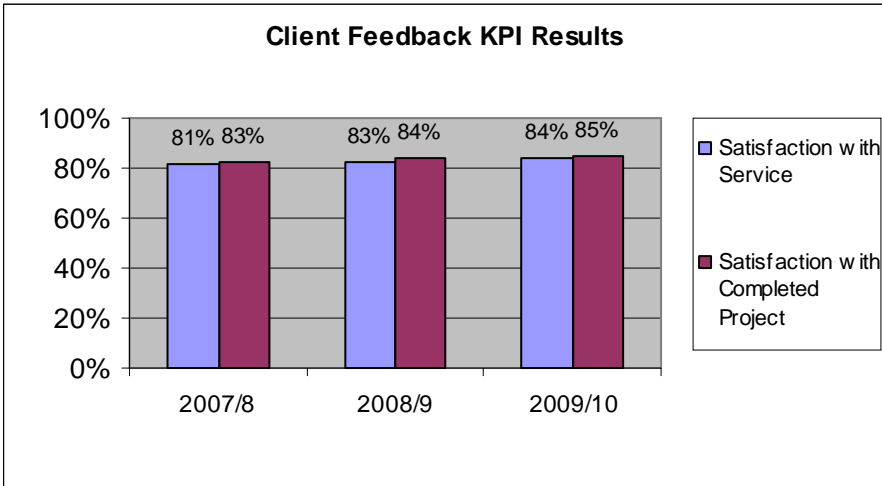


6.5.3 These scores indicate a very good level of performance from the contractors with an overall positive performance trend year on year. Following a slight reduction last year, contractor performance for best value projects shows the greatest increase and performance for contractors procured through competitive tender maintains it's consistent albeit modest annual increase.

6.5.4 As with Major Projects, contractor performance is managed through Property Services monthly Health and Safety Sub Panel meetings when any performance or health and safety issues are addressed and appropriate actions taken with the contractor concerned. In the case of a serious health and safety incident or very poor performance, this may include suspension from the Register of Contractors.

6.6 Client Satisfaction

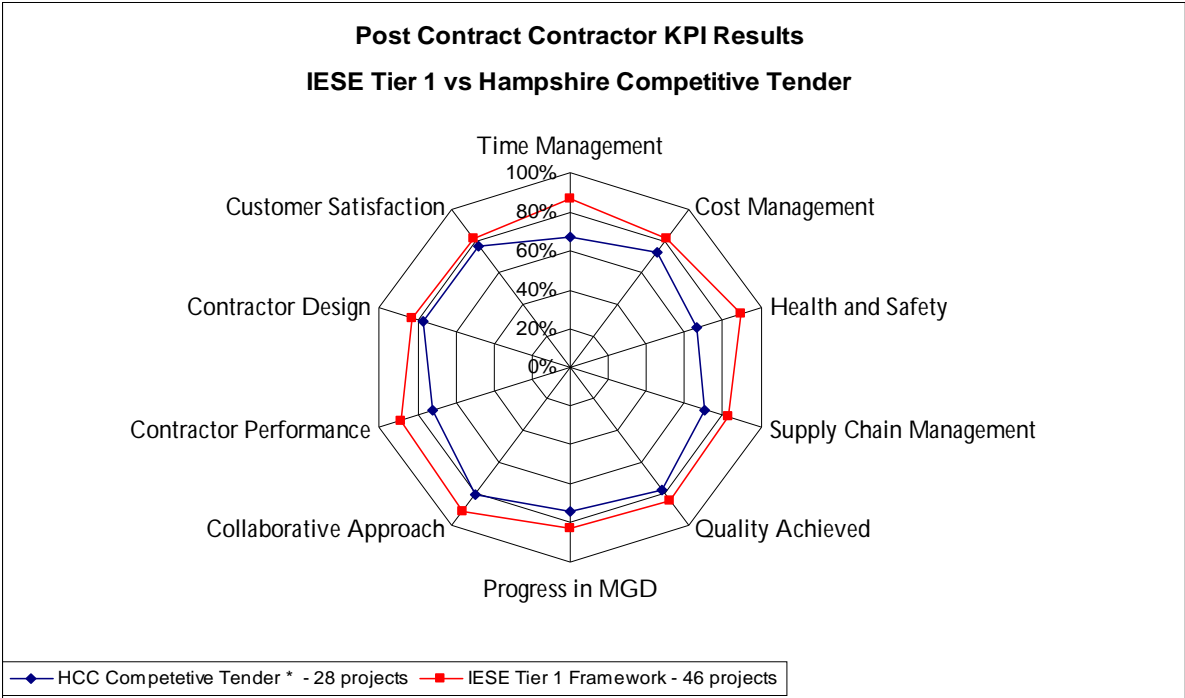
6.6.1 Client feedback is requested from the building occupier / end user on completion of all projects undertaken. The feedback includes an assessment of satisfaction with the service received from Property Services and satisfaction with the completed project.



6.6.2 The results for feedback received during 2009/10 continue to show a steady improvement and indicate a high level of satisfaction with the service received and the completed project. The results relate to 278 client feedback forms returned during 2009/10.

6.7 IESE Tier 1 Framework

6.7.1 46 projects have been completed through the IESE Tier 1 Framework across the South East. KPIs are measured on completion of both the pre-contract and the construction phases of work. The chart below shows a comparison between the IESE framework projects and a sample of Hampshire competitive tender projects completed during the same period:



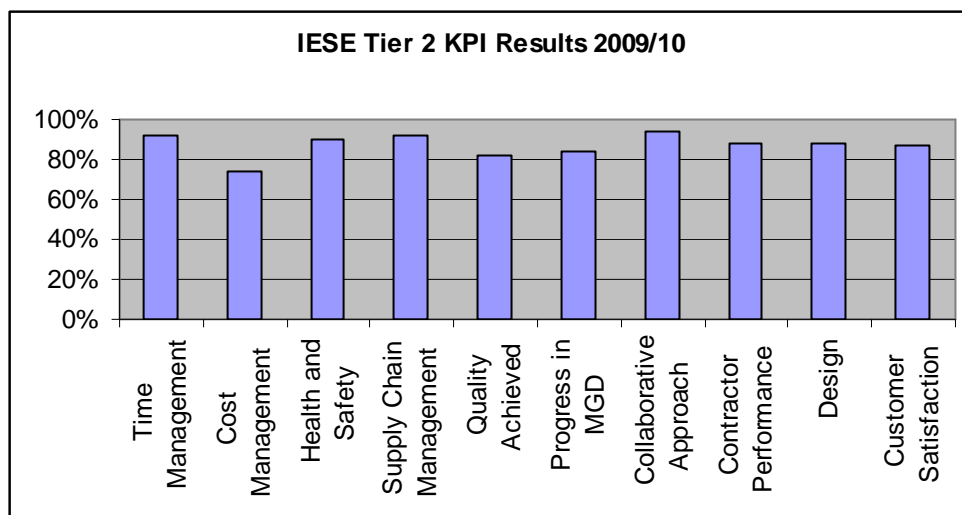
6.7.2 The average score for all projects procured through the Tier 1 framework is 86% compared to 73% for the competitive tender sample. Significant improvements have been achieved for time management and health and safety.

	Number of Projects	IESE Tier 1 Average Post Contract KPI Score
2008/09	24	85.0%
2009/10	19	87.2%

6.7.3 The average score for projects completed through the IESE Tier 1 framework during 2009/10 was slightly higher than the score achieved during the previous financial year. The collaborative relationship developed through the Tier 1 framework has continued to deliver a high standard of performance compared to more traditional procurement methods.

6.8 IESE Tier 2 Framework

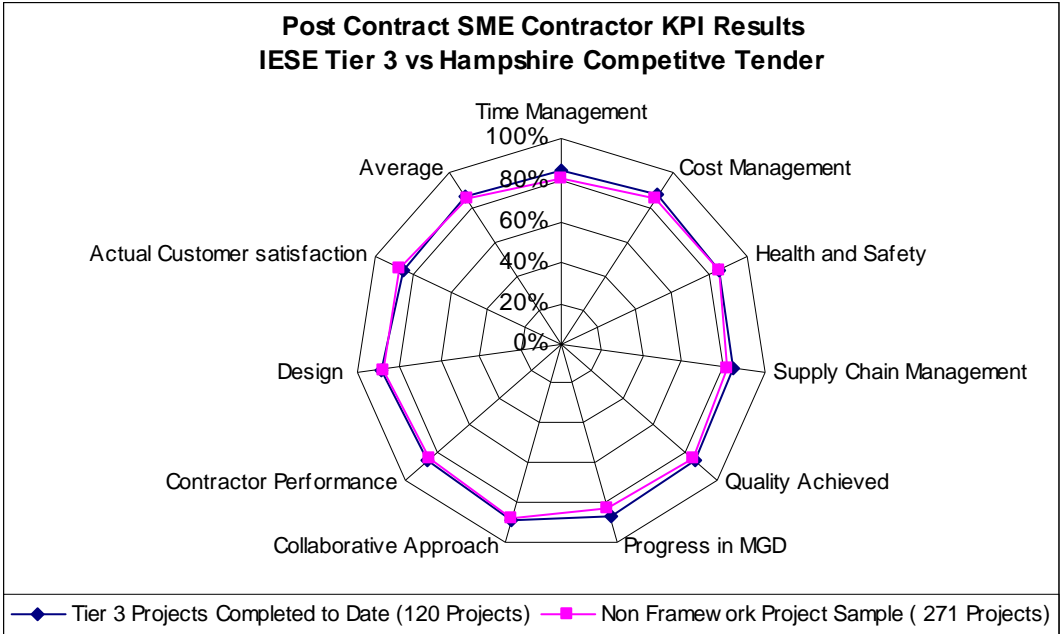
6.8.1 Five projects have been completed and assessed through the Tier 2 framework. The average score for contractor performance following completion of these projects was 87%. Individual scores for each indicator are shown below:



6.8.2 The average score for all indicators exceed 80% other than cost management. This was reduced due to concerns over the availability of regular cost reporting on one project which had a significant impact on the overall score due to the small number of projects included in the record set. The issue raised on this project was discussed with the contractor at the performance review meeting and a different approach was agreed for future projects.

6.9 IESE Tier 3 Framework

6.9.1. 120 projects have been completed and assessed through the IESE Tier 3 framework. The chart below shows a comparison between the IESE framework projects and a sample of 271 non framework projects under £500k completed by Hampshire County Council during 2009/10:



6.9.2 The average score for all County Council projects procured through the Tier 3 framework is 86% compared to 83% for the non-framework projects under £500k. Scores for all indicators were good, exceeding 80%.

	Number of Projects	IESE Tier 3 Average Post Contract KPI Score
2008/09	47	83.4%
2009/10	71	87.4%

6.9.3 The number of projects has increased significantly and the collaborative relationship with IESE Tier 3 framework contractors has continued to be developed this year and has produced improved performance during 2009/10 compared to the previous year.

7. Benefits and Efficiencies

- 7.1 The regional construction framework is on target to deliver its target efficiency benefits for 2009/10 of £25m. An independent benefits audit by the property consultant Davis Langdon has shown efficiency benefits of £24.27m with still more to be quantified. Confidence in benefits remains good, and it is expected that year end targets (at end of March 2010) will be confirmed.
- 7.2 Authorities continue to trust the framework to deliver their projects, and the turnover for this year of circa £300m is the highest to date. Furthermore, the framework has now completed 45 projects worth over £160m.
- 7.3 The Office of Government Commerce's (OGC) Achieving Excellence in Construction Project Performance Feedback Report is currently being collated for publication in June. The current report will state that the IESE regional construction framework cost and time predictability performance has resulted in delivery of £75m in efficiency benefits, which is almost double the benefits reported through IESE for the construction and asset management theme to date.
- 7.4 A copy of the independent benefits report by Davis Langdon, dated November 2009 is included in Appendix 2. An updated year end benefits report is being prepared.
- 7.5 Hampshire County Council are a regular user of the regional framework. The average project team performance scores is in excess of the IESE target of 80% for both pre and post construction. The value of work through the regional framework is circa £30m with combined procurement savings and added value of £2.2m.
- 7.6 Analysis for benefits for the Hampshire Cluster Tier 2 and Tier 3 arrangements shows year end benefits of £645,000 and £897,000 respectively. Circa 90% of these benefits totalling £1,387,800 are attributable to Hampshire County Council.

8. Building Cost Trends

8.1 Building Cost Inflation

- 8.1.1 The historic trend of tender costs for the County Council's building projects is regularly monitored and benchmarked to ensure that good value is being delivered. Detailed tender price information is recorded for all significant capital projects and referenced to relevant comparators. Up to 70% of the Property Services building projects are procured through "non-traditional" arrangements, including the IESE Frameworks. The inflation update for the framework management costs are linked to the movement in the Retail Price Index (RPI) and the County Council has therefore received the benefit of the recent changes in RPI (a reduction of 1.2% was applicable for 2009/10). The main benchmark information for construction projects is

based on analysis of actual costs per square metre of floor area. There continues to be increasing pressure on building costs in meeting the ever more stringent requirements of new legislation, particularly evident in the area of reduced carbon emissions. These factors are adding to building prices but the benchmarking continues to show that inflation for the County Council's schemes has generally remained in line with reported tender price inflation from Department for Business, Innovation and Skills (BIS) and Building Cost Information Service (BCIS), and also the movement in the RPI, taking into account these additional legislative requirements.

8.2 Schools Building Programme

8.2.1 The Procurement Initiatives previously reported to the Panel identified the relationship between the cost benchmarks for school buildings identified by the Department for Children, Schools and Families (DCSF) in their publication entitled 'Education Building Projects: Information on Costs and Performance Data' dated April 2003 and County Council school building projects.

8.2.2 It should be noted that the benchmark/guideline figures from the DCSF have not been reviewed since publication in 2003. They are based on a very small sample of only 3 projects, all large secondary schools of over 10,000m², and the same guideline cost has been used for both primary and secondary schools. Other cost information sources (Spons Building Price Book and BCIS) suggest that there should be a differential between Primary and Secondary school costs with Primary attracting a premium of up to 10% due to the smaller scale, single storey construction on more restricted sites etc. The guideline costs are potentially unreliable for benchmarking purposes due to their age and the limited sample information on which they are based and they should be used with care to ensure a like for like comparison.

8.2.3 A detailed analysis has been undertaken to enable a more meaningful comparison to be made between the DCSF guideline costs and the costs of the HCC primary school projects completed in the last financial year which shows the following outcome:

- DCFS guideline net cost (updated for latest regulations) @ 4Q09 base is £1,584/m²
- HCC Primary School net costs @ 4Q09 are £1,714/m²:

8.2.4 This exercise demonstrates that recently completed County Council projects complying with (and exceeding) the requirements of latest legislation, are on average within 8% of the guideline costs and this is line with expectations.

8.2.5 It should be noted that Hampshire's core brief for schools exceeds the minimum requirement of the DCSF benchmark, therefore additional specialist facilities such as IT Suites and Music/Drama spaces are included

as standard. These factors would go some way to explaining the modest premium that the County Council experiences over the DCSF benchmark.

- 8.2.6 Recent building cost benchmarking has been undertaken to enable Hampshire County Council's building costs to be compared on a like for like basis with other authorities. The work is ongoing but current indications are that the County Council's building costs sit at the mid level of the benchmark data for new Secondary school projects and at the upper quartile level for new Primary schools. This is valuable data that needs to be fully analysed and understood and then used to inform development of future projects to ensure that value for money is delivered for the County Council.

9. Future Cost Trends

- 9.1 The economy is now moving slowly out of recession but it has been deeper than originally anticipated for construction and continues to have an impact on building costs. High unemployment (the Office for National Statistics confirmed that construction employment fell by over 9% in 2009) and anticipated public sector reductions of expenditure will both contribute to slow economic recovery. The County Council will continue to obtain the benefits of a favourable market through both traditional competitive tendering and arrangements in place through the IESE frameworks.
- 9.2 The current economic climate is generating mixed forecasts on the likely movement in Tender Price Inflation over the next five years. BCIS is forecasting a levelling off during 2010 with tender prices then increasing from 2011 onwards at a forecast rate of 3 – 4% per annum. BIS is forecasting a continuing reduction of approximately 2% in tender prices during 2010 with tender prices increasing from 2011 onwards also at a forecast rate of 3 – 4% per annum. The likely outcome is that there will be very little movement during 2010 but with construction output and tender prices increasing from 2011 onwards.
- 9.3 The Public non-housing Sector which was forecast to grow over the next two to three years is now expected to shrink as the anticipated public funding is subject to review and cuts in order to support pressures on the general public finances. This will lead to a slower than anticipated recovery in 2012 and 2013 and the impact of major public expenditure projects such as the Olympics will not therefore have the degree of inflationary influence on tender prices as might have been the case. It should be noted that these are provisional and forecast figures for this period and the firm outcomes are still uncertain in the current market and much will depend on the actual level of public expenditure. On top of this ever increasing standards in health and safety, sustainability, waste management and future proofing, will put additional pressure on costs over and above general inflation.
- 9.4 Notwithstanding the current economic climate, national building costs have increased significantly in the last five years. A slight dip has been

experienced during 2009 but the general upward trend is forecast to continue. To help mitigate this, the Director of Property, Business and Regulatory Services continues to develop innovative procurement strategies that reduce risk and uncertainty for the contractors and, through a number of local and regional framework arrangements, secure the resources the County Council requires, whilst still retaining value for money and ensuring a high quality of product.

10 Conclusions

- 10.1 In conclusion Property Services plans to establish four further frameworks through the OJEU tender process, a new framework is proposed for Asbestos Repair, Management and Minor Removal along with a regional ICT managed services framework on behalf of the Regional Education Partnership subject to approval of the Department for Education.

11 Recommendations

That the Panel advises the Executive Member for Policy and Resources that:

- a) The selection and appointment of a contractor through the Improvement and Efficiency South East (IESE) Tier 2 Framework to provide pre-construction services to a maximum value of £25,000 for the improvement and refurbishment works at Hampshire House in Eastleigh be approved.
- b) The selection and appointment of a contractor through the Improvement and Efficiency South East (IESE) Tier 2 Framework to provide pre-construction services to a maximum value of £150,000 for the formation of Cranford Park Primary School in Yateley be approved.
- c) The proposal to create a new framework for Asbestos Repair, Management and Minor Removal commencing with expressions of interest be approved.
- d) The procurement of a regional ICT managed services framework on behalf of the Regional Education Partnership subject to approval of the Department for Education be approved.
- e) The additions and amendments to the NDS Programme and other miscellaneous approvals as set out in Appendix 3 be approved.
- f) That the summary of the performance analysis for construction projects completed in 2009/10, be noted.

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	No
Corporate Improvement plan link number (if appropriate):	
Maximising well-being:	No
Corporate Improvement plan link number (if appropriate):	
Enhancing our quality of place:	Yes
Corporate Improvement plan link number (if appropriate):	
OR	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
Procurement Initiatives	1103	14 April 2010
Procurement Initiatives	998	21 January 2010
Procurement Initiatives	765	19 October 2009
Procurement Initiatives, Performance Assessment, Building Cost Trends and other miscellaneous approvals	682	23 July 2009
Direct links to specific legislation or Government Directives		
<u>Title</u>	<u>Date</u>	

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:**Race and Equality Impact assessment**

Race and equality impact assessment has been considered in the development of this report and no adverse impact has been identified.

Crime prevention issues

The County Council has a legal obligation under Section 17 of the Crime and Disorder Act 1998 to consider the impact of all the decisions it makes on the prevention of crime. The proposals in this report have no impact on the prevention of crime.

How does what is being proposed impact on our carbon footprint / energy consumption?

All new build projects will meet current standards for carbon and energy consumption. Refurbishment projects will generally see a reduction in energy consumption through incorporation of higher design standards with particular emphasis on increased insulation, air tightness, thermal mass, passive ventilation and reducing solar gain in order to reduce the need for mechanical ventilation. Projects also seek to incorporate efficient building services equipment and controls.

How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Current design standards used by Property Services seek to reduce reliance on mechanical ventilation and therefore reduce energy consumption by using passive ventilation strategies with a focus on increasing thermal mass, insulation and air tightness and reducing solar gain. Efficient building services equipment and intelligent building services controls are used to support this approach. Approaches such as sustainable urban drainage (SUDs) and on site surface water storage are also considered in the design to address flood risk issues.

OJEU tenders completed since April 2010

Contract	Scope	Term	Successful tenderers	Available for use by
Building surveying services	Building surveying services to support the delivery of projects and programmes of work. The framework also includes for "one stop shop" multi-disciplinary appointments and other non-project professional services, such as undertaking condition surveys, dilapidation advice and acting as a party wall surveyor.	4 years	Hamson Partnership, Kendall Kingscott Ltd, Ridge & Partners LLP and Stephens Cox Associates	Hampshire County Council, Hampshire Police, Hampshire Fire and Rescue Service, Royal Berkshire Fire and Rescue Service, Reading Borough Council, Borough, City and District Councils within Hampshire, Foundation, Voluntary Controlled, Voluntary Aided and Diocese schools and Further Education Colleges within Hampshire.
External repair and decoration work	Decoration and repairs service including external and internal decoration of buildings, use of access systems and associated repairs. Lot 1 is for individual projects and programmes of work over £200,000 and Lot 2 is for projects and programmes of work up to £250,000.	3 years with option to extent by a further year	Lot 1: Ian Williams, Richardson Decorating Contractors Ltd and Mitie Property Services (UK) Ltd Lot 2: Purkiss Ltd, Ferris Painting Contractors, PM Building Contractors, Atkins Painting & Decorating (Contractors) and Jorgenson Ltd	Hampshire County Council.

Contract	Scope	Term	Successful tenderers	Available for use by
Temporary Volumetric Modular Buildings	Provision of temporary modular buildings at education and other corporate sites, ie supply, delivery, erection and removal. The framework facilitates the buildings being purchased, rented or transferred.	2 years with option to extent by a further 2 years	MRC (Martin Reynolds Construction), Terrapin Ltd, Wernick Buildings Ltd and Premier Interlink	Hampshire County Council, Hampshire Fire and Rescue Service, West Sussex County Council, Isle of Wight County Council, Southampton City Council, Portsmouth City Council, Reading Borough Council, Foundation, Voluntary Controlled, Voluntary Aided and Diocese schools and Sixth Form Colleges within Hampshire.

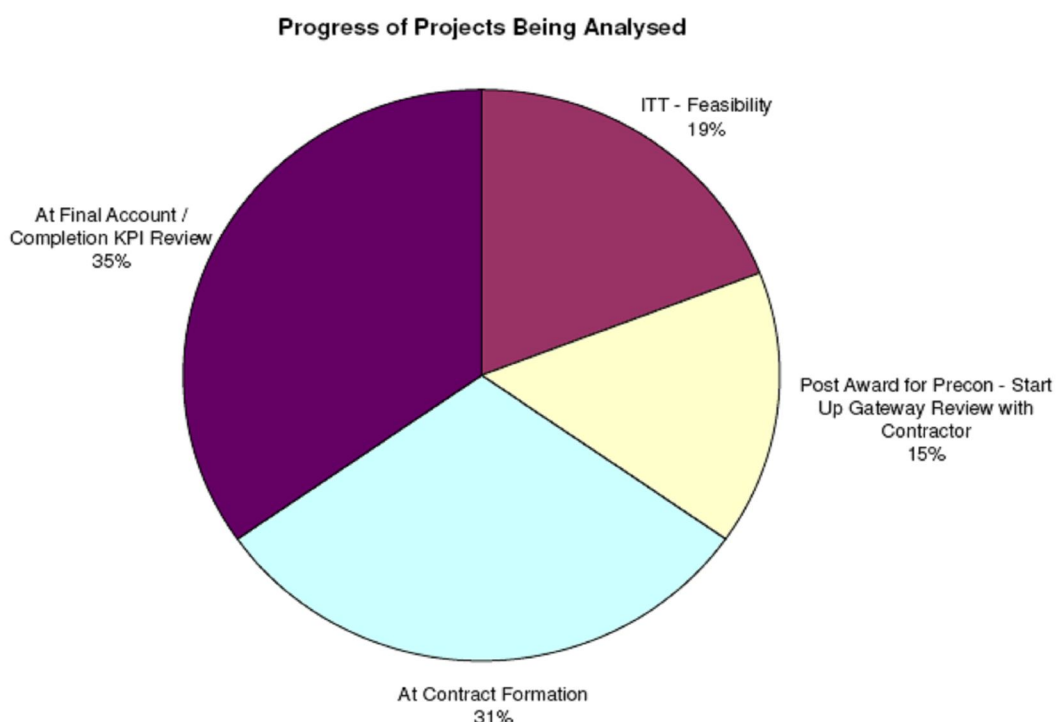
Improvement and Efficiency South East (IESE) benefits and efficiencies

£27.8 million now saved for public authorities: IESE's construction and asset management benefits report 2009-2010.

The average construction project procured through IESE Construction and Asset Management is now completed within 1% of the expected budget and within 3% of the expected time – far exceeding the performance of comparative projects tendered in the traditional way. What's more, IESE Construction and Asset Management has exceeded its efficiency targets.

To capture exactly what savings and benefits have been achieved, IESE's framework contractors record the cost and time information at four key project stages, and also record the efficiency benefits they achieve.

This report is based upon the 110 projects currently being managed on the framework. The projects are all at different stages, as shown



Predictable costs and timescales

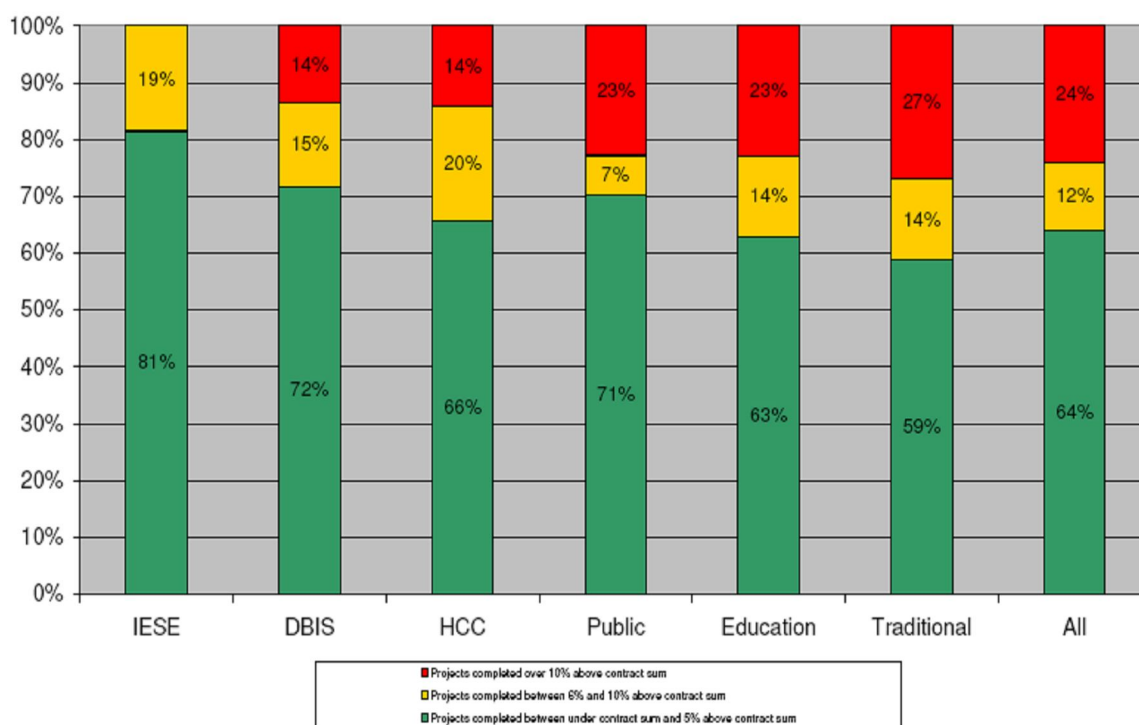
The cost and duration of building projects is notoriously unpredictable, and a key measure of IESE's success is the way it has improved cost-and-time reliability. The change in expected cost and duration, between the point a contract is agreed and the point a building is completed, is calculated as a percentage.

Cost

The average IESE project has been completed within 1% of the agreed cost. This compares well against traditionally tendered projects, where between 14% and 27% of projects end up costing at least 10% more than expected.

The comparator projects include Hampshire County Council's projects procured through traditional competitive tender, wider data on all public non-housing projects as reported by the Department for Business, Innovation and Skills (BIS) and industry data sourced by Davis Langdon.

Cost - % Change from Contract Formation to Final Account Including All Project / Client Change Orders

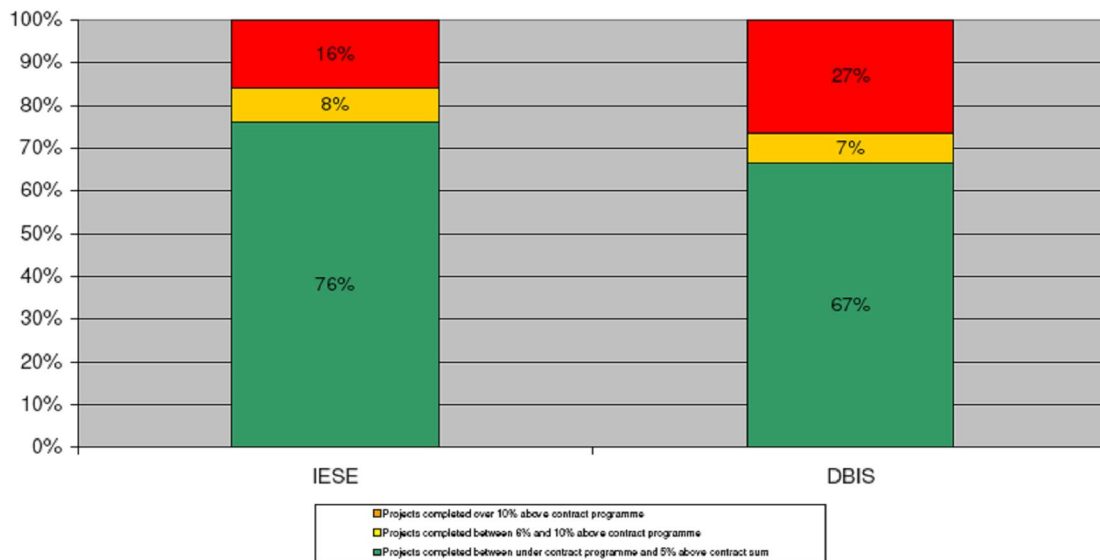


Time

The average IESE project has been completed within 3% of the agreed timescale. DBIS data shows 34% of traditionally-procured projects are completed more than 5% late.

This comparison includes any delays caused by clients' changes to the design. It's clear that the IESE method, involving all parties early in the design process, reduces the number of revisions and keeps timescales on track.

Time - % Change from Contract Formation to Final Account Including All Project / Client Change Orders



Quality

Key performance indicators (KPI) scores on such factors as Health and Safety, Customer Satisfaction and Cost Management have also been measured.

IESE Projects achieve 16.5% higher scores than Hampshire County Council projects procured through a traditional competitive tender.

Not only that, but the Hampshire project data represents lower value and risk projects. It is anticipated that inclusion in the future of closer comparators may give even lower scores - showing an even higher improvement for IESE delivered projects.

Post Contract Contractor KPI Results

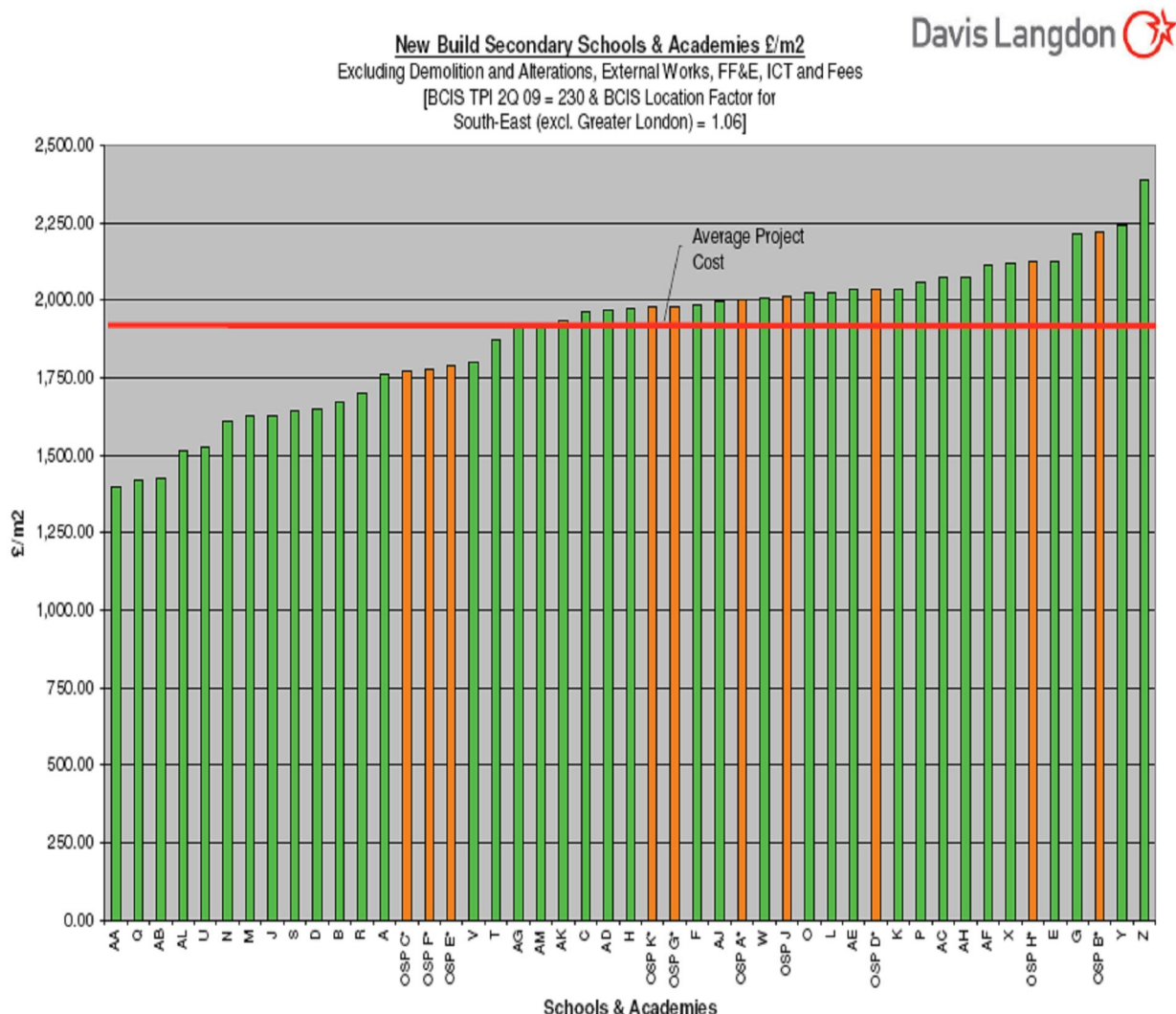


Cashable savings

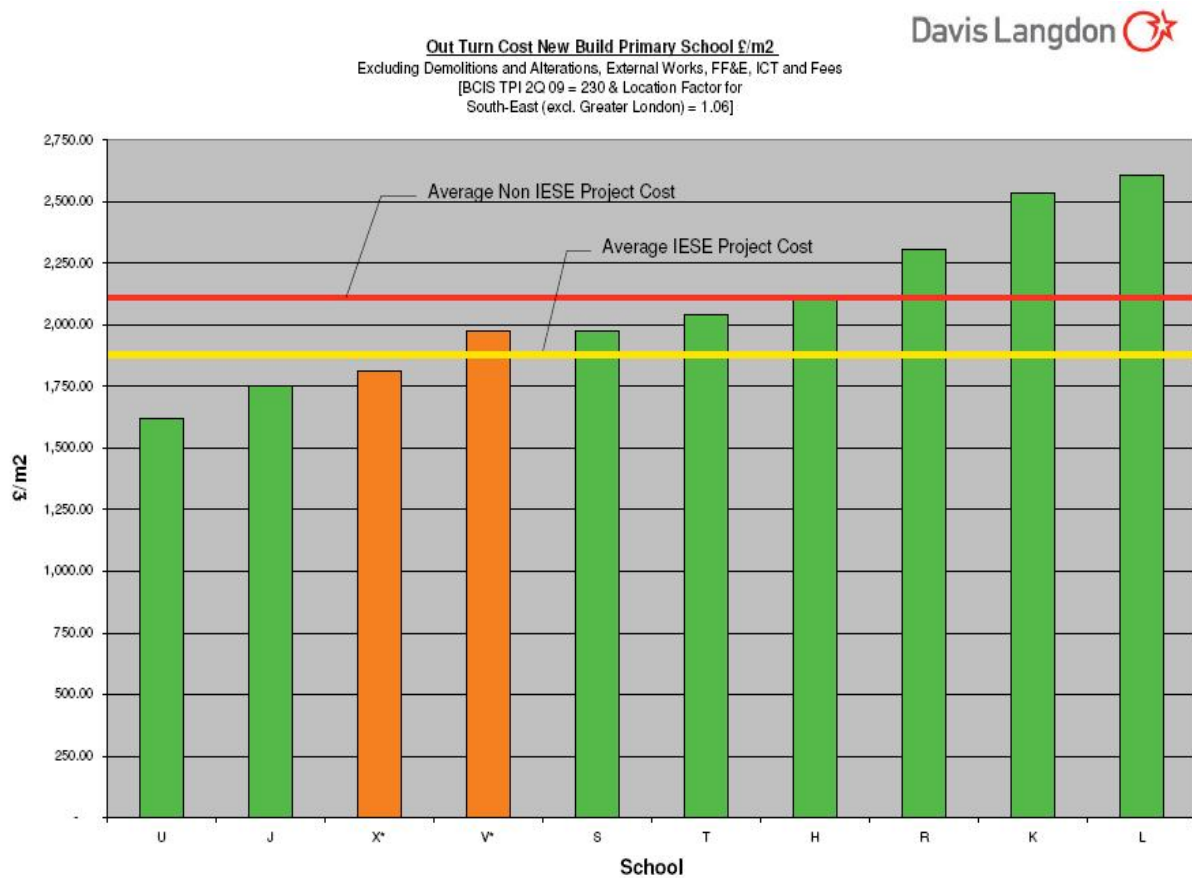
As well as being more reliable and better quality, IESE projects are much more cost effective. 'Project efficiency' savings come from the aggregation of costs over many projects. Also, avoiding the OJEU procurement process for each project brings 'project process' savings which average £75,000 per project.

The total cost savings IESE has generated so far for public authorities, including both project efficiency and project process savings, come to £27.8 million.

The chart shows that IESE One School Pathfinder schools (shown as orange bars) are at the same cost level as comparative secondary schools, but benefit from IESE's high quality and cost/time predictability.



The second chart shows that IESE primary school projects (shown as orange bars) cost on average 8% less than comparable traditionally-tendered projects.



The SAVE initiative

The SAVE initiative, a procurement aggregation project, is also bringing significant savings. It involves using the same design for elements common to several projects, and buying key construction commodities in bulk across project programmes. This has focused on the nine schools in IESE's One School Pathfinder programme and is on track to save around £2.36 million.

The additions and amendments to the NDS programme and other miscellaneous approvals

Window Replacement and recladding – Stoke Park Junior School, Bishopstoke, Eastleigh

Through prudent procurement, savings have been made in the delivery of the NDS programme over the last two years. These savings have already allowed significant additions to the NDS programme as reported to the Panel in March 2010. Further savings have been identified which it is proposed should be used at Stoke Park Junior school in Bishopstoke near Eastleigh. It is proposed to enhance a programme of window replacement and recladding to secure a total investment of £150,000 for the school.

Corporate Storage Service

The County Council currently has insufficient suitable low cost offsite storage space for the storage of its paper files. Storage in high cost office accommodation gives poor value for money and is incompatible with the Workstyle objectives. There is now a pressing need to develop and implement an effective storage solution for paper records across the County Council.

Following an extensive analysis of options the most cost effective solution is to set up a corporate document service managed by the County Records Management Service. This will provide internal storage for sensitive records, or those with a high retrieval rate, together with off site storage, using a commercial storage provider, for deep storage for records with low retrieval requirements. It is estimated that up to a quarter of the records will be held in internal storage and the remainder in commercial storage. Commercial storage will be utilised on a call off basis. The service will be funded from redeploying existing resources. Procurement of the commercial storage provision will be subject to OJEU procedure.

It is proposed that the procurement of external commercial storage services for up to a period of 4 years, with an option to extend for a further 2 years be approved.