

# Report of the Strategic Director of Place to the meeting of Environment and Waste Overview and Scrutiny Committee to be held on 17 April 2018

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**Subject:**

Bradford Forster Square Full Business Case Procurement

**Summary Statement:**

The redevelopment of Bradford Forster Square rail station is one of the key schemes of the £1bn+ West Yorkshire-plus Transport Fund (WY+TF). The project achieved Outline Business Case funding approval from the West Yorkshire Combined Authority and was allocated £3.6m to develop the Full Business Case submission.

A review of procurement options for the development of the Full Business Case for Forster Square was undertaken following this matter being considered by EWOSC in January 2018. The results of this appraisal, and resulting preferred procurement strategy, are presented for consideration by this committee.

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**Portfolio:**  
Regeneration, Planning & Transport

**Overview & Scrutiny Area:**  
Environment & Waste Management

## **1. SUMMARY**

- 1.1 The redevelopment of Bradford Forster Square rail station is one of the key schemes of the £1bn+ West Yorkshire-plus Transport Fund (WY+TF). The project achieved Outline Business Case funding approval and was allocated £3.6m from the West Yorkshire Combined Authority to develop the Full Business Case submission.
- 1.2 A review of procurement options for the development of the Full Business Case for Forster Square was undertaken following this matter being considered by EWOSC in January 2018.
- 1.3 Options which were considered included:
  - a) Procurement of consultancy support to develop the detailed design and financial costs for the redevelopment of Forster Square rail station and prepare a Full Business Case submission; or
  - b) Procurement of a design and build contract which would allow reductions in delivery time for the ultimate delivery of the station redevelopment.

the results of this appraisal, and resulting preferred procurement strategy, are presented for consideration by this committee.

## **2. BACKGROUND**

- 2.1 Bradford Forster Square rail station is one of the 'Station Gateway' projects of the West Yorkshire+ Transport Fund. As part of the development of proposals for the station a detailed master plan was prepared for development of a covered station building befitting of an "arrival destination" in the city of Bradford. The master plan was developed into a detailed Outline Business Case which was considered by the West Yorkshire Combined Authority (WYCA) in late 2017. The proposals received approval for progression to the next stage of delivery (Full Business Case) and an allocation of £3.6m was made available to the Council to proceed to this stage.
- 2.2 The Outline Business Case determined that the anticipated cost of delivery of the scheme would be £17m which includes appropriate allowances for risk and optimism bias. The purpose of the Full Business Case is to revisit this costing information and the assumptions which were made at the feasibility stage to ensure that the budget remains reasonable once detailed designs have been prepared.
- 2.3 Each Business Case is based around the HM Treasury Green Book five business case model. This model requires assessment of a project in terms of:
  - a) Strategic Case;
  - b) Economic Case;
  - c) Financial Case;
  - d) Management Case; and
  - e) Procurement Case.

- 2.4 At Outline Business Case the approved assessment concentrates on the merits of the scheme in relation to its Strategic Case, Economic Case and Financial Case mainly and whilst the Management and Procurement cases are described in broad terms due to the early stage of development of the project less 'weight' is given to their assessment at the OBC stage.
- 2.5 By comparison the Full Business Case concentrates significantly on the Procurement and Financial cases which are developed through the Full Business Case preparation. Therefore an approach which gives the greatest degree of certainty to these cases at this stage is the most favourable strategy for the development of the Full Business Case and beyond.

### **3. OTHER CONSIDERATIONS**

- 3.1 The development of the Full Business Case for the Forster Station project requires input from a multi-disciplinary team including architects, highways, landscape architects to name but a few. EWOSC have previously considered a report on the possibility of recruitment of consultant services to assist with the completion of the detailed design, securing of Network Rail approvals to the scheme and securing planning approval for the new station facility. This paper highlighted that the cost of provision of such a service would be significant (in excess of £2m) but that proposals for the scope and method of securing these services were still at an early developmental stage. The report therefore recommended that once a procurement strategy had been determined details of the procurement would again be presented to EWOSC for consideration.
- 3.2 As part of the determination of the preferred procurement strategy a series of workshops with industry partners and WYCA were held to review potential delivery options. Fundamentally two operations were considered, namely:
- a) Procurement of consultancy support to develop the detailed design and financial costs for the redevelopment of Forster Square rail station and prepare a Full Business Case submission; and
  - b) Procurement of a design and build contract which would allow reductions in delivery time for the ultimate delivery of the station redevelopment.
- 3.3 A detailed assessment of the two options above was undertaken and presented to the Council's WY+TF Project Board for consideration of a preferred procurement strategy. The Project Board comprises representatives from the Council, Network Rail, Train Operating Companies and WYCA. The assessment reviewed core aspects of delivery including Supply Chain engagement/appetite, risk transfer, scheme delivery duration, value for money, cost certainty and management of core relationships, ranking each between 0 (not applicable) to 3 (strong). A full copy of the assessment is provided in Appendix 1.
- 3.4 The conclusion of the assessment was that the approach of using one design & build contract (with a two stage Early Contractor Involvement approach) with break clauses and overall incentives for saving on scheme budget presented the best approach for the delivery of this project.

- 3.5 Whilst this approach would see the design phase of the project being slightly longer than the alternative consultant approach the subsequent construction stage would be shorter due to reduced procurement requirements, the approach would also allow procurement of critical and key suppliers during the design phase (ultimately advancing construction start dates). Additionally risks associated with the development of a detailed design which obtains planning permission but then proves expensive to construct following tendering of the detailed designs would be minimised.
- 3.6 Development of the Invitation to Tender (ITT) for a design & build contract has similarly been considered given the level of experience within the Council. Due to the tight programme to achieve the Full Business Case submission it was recognised that the option of developing such an ITT in-house would be detrimental to delivery of this project. External support has been secured from Costain Limited who are currently engaged on assisting with the delivery of the wider WY+TF programme.
- 3.7 Design & build contracts are commonplace in the rail industry and are the preferred delivery model for Network Rail who are a key stakeholder and delivery partner for this project.

#### **4. FINANCE & RESOURCE APPRAISAL**

- 4.1 The Council has been awarded funding of £3.6m from the West Yorkshire+ Transport Fund to develop the Full Business Case for the Forster Square rail station development.
- 4.2 Procurement of a design & build contract is likely to result in programme timescale savings allowing the project to reach construction at an earlier date than the more traditional approach. However, as experience in the development of such contracts is limited within the Council procurement of a partner who will be responsible for assisting the development of the tender specification for the design & build contract is recommended. It is anticipated that given the length of time necessary to develop such a contract a budget of £60,000 would be sufficient – again this would be funded direct from the WYCA allocation.
- 4.3 It is anticipated that the procurement of a design & build contract would be in excess of £2m and hence should be considered by EWOSC. Whilst the value of this procurement is significant it should be noted that it is anticipated that appointment of an appropriate development partner would be well within the funding envelope of the WYCA grant.
- 4.4 There are no HR issues arising from this report.

#### **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

- 5.1 In accordance with all WY+TF projects a live risk register is kept for the Forster Square project. The development of a full understanding of quantifiable risks is a

critical facet of the commission as a detailed quantified risk assessment (QRA) must be provided in support of the ultimate Full Business Case.

- 5.2 The project is managed in accordance with the WYCA Assurance process model and associated Funding Agreement requirements and as such a Project Board is in place to provide oversight and direction to the project team.

## **6. LEGAL APPRAISAL**

- 6.1 Procurement contracts developed in support of this commission will be reviewed by the Council's procurement unit and Legal & Democratic services prior to issue.

## **3. OTHER IMPLICATIONS**

### **7.1 Equality & Diversity**

There are no equality and diversity implications for discussion at this stage. It should however be noted that the scheme is very much being developed in line with the Council's Equality Objectives with a full community consultation having taken place and been reported in December 2017. Further detailed design consultations will be held across the life of the Full Business Case development programme.

### **7.2 Sustainability Implications**

The station improvement will deliver a positive sustainability impact in terms of boosting the attraction of public transport usage.

### **7.3 Greenhouse Gas Emissions Impacts**

The station improvement will deliver a positive greenhouse gases impact in terms of boosting the attraction of public transport usage.

### **7.4 Community Safety Implications**

There are no community safety matters for discussion at this stage.

### **7.5 Human Rights Act**

There are no human rights implications associated with this report.

### **7.6 Trade Union**

There are no trade union implications associated with this report.

### **7.7 Ward Implications**

There are no Ward Implications associated with this report.

## **7. NOT FOR PUBLICATION DOCUMENTS**

- 7.1 None.

## **8. OPTIONS**

- 8.1 EWOSC may support the option of delivering the Forster Square station development through a design & build contract procurement; or

8.2 Alternatively EWOSC may support the traditional approach of procuring detailed design and FBC development separate to the construction contractor.

## **9. RECOMMENDATIONS**

9.1 That the committee:

- a) Endorse the procurement strategy of appointing a design & build partner for the development of proposals for Forster Square station
- b) Note the actions taken to date to facilitate utilisation of the design & build approach through the appointment of an industry partner to develop the ITT.

## **10. APPENDICES**

10.1 Appendix A – Assessment of delivery options

## **11. BACKGROUND DOCUMENTS**

11.1 Report of the Strategic Director of Place to the Environment & Waste Overview and Scrutiny Committee on 23 January 2018, Bradford Forster Square Full Business Case Procurement

11.2 Minutes of the WYCA Board, 29<sup>th</sup> June 2017 – Decision to progress to FBC.

11.3 Bradford Forster Square Outline Business Case Final Report

11.4 Bradford Forster Square Funding Agreement

## Appendix 1 – Procurement Options Appraisal

Traditional approach using a separate Design Contract then a Build Contract.		Weighted Score	Alternative approach using one Design & Build Contract (with a two stage ECI with break & overall incentive for saving on scheme budget)	Weighted Score
Assumed Design Stage Tendered Deliverables	<ul style="list-style-type: none"> <li>Quality Return (comprising suggested approach, quality plan and key resources)</li> <li>Financial Return (comprising NEC PSC Contract Data Pt 2 with Staff Rates and/ or Activity Schedule)"</li> </ul>	0	N/A	0
Assumed Construction Stage Tendered Deliverables	<ul style="list-style-type: none"> <li>Quality Return (comprising suggested approach, quality plan and key resources)</li> <li>Financial Return (comprising NEC ECC Contract Data Pt.2 with Rates, Fees and Percentages and B of Q /or Activity Schedule + Programme)</li> </ul>	0	N/A	0
Assumed Both Stages Tendered Deliverables		2	<ul style="list-style-type: none"> <li>Quality Return (comprising suggested approach, quality plan and key resources)</li> </ul>	0
CBMDC Procurement costs	Have to create two ITT's, tender stages and contracts (one PSC and one ECC?)	2	<ul style="list-style-type: none"> <li>Financial Return (comprising NEC ECC Contract Data Prt 2 with Staff Rates and Programme for Stage 1 &amp; Rates, Fees and Percentages for both Stages)"</li> </ul>	3
CBMDC Procurement time	Two separate occasions for creating procurement strategies, drafting ITT's, running competitions, gaining authority, notifying awards, standstill periods, then execution of contracts.	2	Create only one ITT, tender stage* and contract (one ECC with ECI break clause)	3
CBMDC Procurement enactment - for the Design Stage only	Creation of an ITT (which can be either be complex or simple, quality bias or financial or somewhere in between); creation of the proposed T&C's can be based on a NEC PSC requiring completion of all Contract Data entries with the inclusion of more detailed design requirements and constraints or simply a design output spec (Scope) (depending on what main option and secondary options are selected)	2	N/A	0
CBMDC Procurement enactment - for the Construction Stage only	Creation of an ITT (which can be either be complex or simple, quality bias or financial or somewhere in between); creation of the proposed T&C's can be based on a NEC ECC requiring completion of all Contract Data entries which would need to rely upon the inclusion of explicit specifications and constraints or less detailed specification and constraints (WI) and either comprehensive or basic Site Info (depending on what main option and secondary options are selected)	1	N/A	0
CBMDC Procurement enactment - for the combined Design and Construction Stages	N/A	0	Creation of an ITT (which can be either be complex or simple, quality bias or financial or somewhere in between); creation of the proposed T&C's can be based on a NEC ECC (with ECI Adaption) requiring completion of only stage 1 Contract Data entries (Stage 2 to be negotiated at the end of Stage 1) which would still need to rely upon the inclusion of largely Design/ PM based specifications and constraints for Stage 1 only (along with overall scheme objectives) (WI) and basic Site Info (with more to be identified during stage 1)	2

Traditional approach using a separate Design Contract then a Build Contract.	Weighted Score	Alternative approach using one Design & Build Contract (with a two stage ECI with break & overall incentive for saving on scheme budget)	Weighted Score
		(depending on what main option(s) and secondary options are selected)	
<b>Procurement Approach Risks/ Considerations</b>	1.5	<ul style="list-style-type: none"> <li>• Can only leverage the market for most competitive rates, fees and percentages for stage 2</li> <li>• Less likely to have major financial disparity between competitors (as the financial element can be on Rates, Fees and Percentages) so quality of approach is more likely to be the decider</li> <li>• Two chances at the appointment of the contractor</li> <li>• Most of the costs to price Stage 2 will be borne by the Customer</li> </ul>	2
<b>Supply Chain Appetite/ Engagement</b>	2	<p>More likelihood of a more select supply base with this approach (possibility that some will not understand the concept)</p> <p>More likely to attract interest from some of the more collaborative contractors</p> <p>Less time and bid budget allocated to pricing the financial element (which means more focus can be on the quality)</p>	2
<b>Assumed Design only Stage Deliverables</b>	2	<ul style="list-style-type: none"> <li>• All Engineering decisions made (based with buildability)</li> <li>• Detailed Design Completion (incl. Specs layouts and Plans)</li> <li>• Technical and buildability Value Engineering</li> <li>• Principal Designer duties</li> <li>• Technical approval from the Customers TA gained</li> <li>• Detailed Planning Approval granted</li> <li>• NR GRIP 5 attained</li> <li>• RIBA stage 4 attained??</li> <li>• Technical and outline methodology approvals from Stakeholders gained??</li> <li>• PM deliverables</li> <li>• Estimate for Construction Stage produced</li> </ul>	3
<b>Assumed Construction only Stage Deliverables</b>	2	<ul style="list-style-type: none"> <li>• Construction &amp; assurance of approved Design</li> <li>• Principal Contractor duties</li> <li>• PM deliverables</li> <li>• Procurement of remaining supply chain</li> <li>• Remaining Temporary works Design</li> <li>• Traffic mgt. approvals and delivery</li> <li>• Rail interface mgt.</li> <li>• As-Built drawings</li> <li>• Remaining Consents to methodology gained</li> </ul>	2



Traditional approach using a separate Design Contract then a Build Contract.		Alternative approach using one Design & Build Contract (with a two stage ECI with break & overall incentive for saving on scheme budget)	
	<ul style="list-style-type: none"> <li>• As-Builts</li> <li>• Consents to methodology gained from stakeholders</li> <li>• Stakeholder mgt.</li> <li>• Commissioning &amp; Handover</li> </ul>	<ul style="list-style-type: none"> <li>from stakeholders</li> <li>• Stakeholder mgt.</li> <li>• Commissioning &amp; Handover</li> </ul>	
<b>Risk Transfer</b>	<p>The risk of a technical solution is transferred to the Designer</p> <p>Depending on the procurement approach the risks for cost/ time overrun can be owned by any party</p> <p>The risk of construction approach is transferred to the Contractor</p> <p>The risk of suitability of Design for the Construction phase is owned by the Council</p> <p>The risk of NR engagement up to technical approval will be transferred to the Designer, during the construction phase will be largely owned by the Council.</p> <p>The risk of effective information transfer to allow on plan construction rests largely with the customer</p> <p>Designer will not want to provide compliance certificates unless they are supervising stage 2.</p>	<p>The risk of a technical solution is transferred to the Contractor (&amp; Designer)</p> <p>Depending on the procurement approach the risks for cost/ time overrun is largely owned by the Contractor (&amp; Designer)</p> <p>The risk of construction approach is transferred to the Contractor</p> <p>The risk of suitability of Design for the Construction phase is transferred to the Contractor (&amp; Designer)</p> <p>The risk of NR engagement up to technical approval will be transferred to the Contractor (&amp; Designer)</p> <p>the risk of NR engagement during the construction phase will be largely owned by the Contractor</p> <p>The risk of effective information transfer to allow on plan construction rests largely with the Contractor</p> <p>Designer can be employed in both stages (to design and assure the construction phase)</p>	<b>2</b>
<b>Overall Scheme durations</b>	<p>Stage 1 (Design) is likely to be shorter</p> <p>Stage 2 (Construction) is likely to be longer</p> <p>2 occasions of procurement and governance will add to the overall duration</p> <p>Greater likelihood of impact to the construction phase programme from Customer owned risks (NR performance issues with the Design etc.)</p> <p>Procurement of supply chain will only happen in the construction phase (ultimately delaying any construction start)"</p>	<p>Stage 1 (Design) is likely to be longer</p> <p>Stage 2 (Construction) is likely to be shorter</p> <p>1 occasion of procurement and 2 of governance will likely reduce the overall duration</p> <p>Less likelihood of impact to the construction phase programme from Customer owned risks (Others not performing as agreed in stage 1)</p> <p>Procurement of critical and key suppliers can be commenced in the Design stage (ultimately advancing any construction start)</p>	<b>1.5</b>
<b>Value for Money</b>	<p>Value engineering is likely to be confined to technical rather than technical and delivery</p> <p>Extremely difficult to require the Designer to consider constructability (unless they employ themselves a constructor, who will then be conflicted from stage 2 so possibly not that reliable)</p> <p>Less ability for the Customer to influence the Prices and/ or the Programme for stage 2</p> <p>Greater likelihood of customer owned risks occurring in construction phase impacting costs to be paid to Contactor.</p>	<p>Constructor will own the design (so more likely to ensure its buildable and within time and cost budgets)</p> <p>Constructor will manage the Designer (although this can often culminate in less design and an unwitting detriment) a good constructor will want to encourage the right design</p> <p>Value engineering can be for both technical and delivery (Higher buildability)</p> <p>Easier promote the Designer to consider constructability</p> <p>Greater ability for Customer to influence the Prices and/ or the Programme for stage 2</p> <p>Less likelihood of customer owned risks occurring in construction phase impacting costs to be paid to Contactor</p>	<b>1.5</b>
			<b>3</b>
			<b>3</b>
			<b>2.5</b>

Traditional approach using a separate Design Contract then a Build Contract.		Weighted Score	Alternative approach using one Design & Build Contract (with a two stage ECI with break & overall incentive for saving on scheme budget)	Weighted Score
<b>Cost Certainty</b>	<p>Where Designers are appointed on a cost reimbursable basis this can often prove difficult to control costs</p> <p>Could spend more on stage 1 eating into the available budget for stage 2 (unless lump sum but then quality of Design might be affected) costs can only be managed independently of each stage</p> <p>More likelihood that Stage 1 costs will be cheaper (without a contractor on board)</p> <p>Certainty of costs for stage 2 would rely on a greater transfer of risks during the tender (which can lead to an increase in tendered Prices)</p> <p>Because Stage 1 focuses more on the technical solutions being solved there is a greater likelihood of change impacting the construction phase</p> <p>Any estimate provided at the end of stage 1 (for the Construction phase) can only be provided to a certain level of care (and without downstream ownership of its accuracy)</p> <p>Any Tender provided for Stage 2 (by competing Contractors) may include errors or exploit failures in the ITT created for stage 2 (so may not be a reliable baseline for predicting out-turn costs)</p>	<b>1.5</b>	<p>Contractor will own the design (so more likely to ensure its buildable and within time and cost budgets)</p> <p>Contractor will manage the Designer (although this can often culminate in less design and an unwitting detriment) a good contractor will want to encourage the right design</p> <p>Contractor will manage the budget for both stages (good contractor will seek a balance) costs can be managed for both stages (particularly with any additional Scheme Share)</p> <p>Less likelihood that Stage 1 costs will be cheaper</p> <p>More likely to spend more in stage 1 (although if done correctly this will often translate to savings in the construction phase)</p> <p>Because Stage 1 focuses somewhat on the delivery as well as the technical solutions being solved there is less likelihood of change impacting the construction phase</p> <p>The Prices and Programme provided at the end of stage 1 (for the construction phase) is more likely to be a nearer representation of out-turn costs (simply because the Contractor will carry more of the risks and they have been involved in the developing solution)</p>	<b>2.5</b>
<b>Management of Network Rail</b>	<p>Engagement with NR during the design stage will likely rest more with the Customer's team. The Customer will also hold the risk of NR support and engagement during the construction phase.</p>	<b>1</b>	<p>During the design phase the Contractor can also engage with NR agreeing templates, outline method statements and construction methods with the aim to optimise the construction phase duration.</p>	<b>2</b>
<b>Management of Statutory Authorities (if applicable)</b>	<p>During the design phase discussions with the Statutory Authorities can usually only progress to C3 stage.</p>	<b>1</b>	<p>With the Contractor involved within the preconstruction phase discussions with the Statutory Authorities could progress further to C5 stage (allowing any notice periods to commence in stage 1 and not impact stage 2). The Contractor can manage the process from end to end, locating the correct people within the statutory organisations to ensure an efficient programme of works.</p>	<b>3</b>
<b>Customer contract administration</b>	<p>Management of 2 contracts required. A more conventional arrangement requiring less collaboration in solution development and subsequent risk sharing. The day to day Customer management team can be overseen and potentially given lower levels of authority.</p>	<b>3</b>	<p>Management of 1 contract only A more collaborative engagement is required by the Customers team during stage 1 with all parties aiming to improve and optimise the solution, requiring potentially more complex and less conventional administration The Customer's PM will need to be granted higher levels of autonomy in Stage 1 to make decisions that affect the whole of the project. The Customer will therefore need to place full trust in the ability of its PM to deliver the desired outcomes.</p>	<b>2</b>

Traditional approach using a separate Design Contract then a Build Contract.		Weighted Score	Alternative approach using one Design & Build Contract (with a two stage ECI with break & overall incentive for saving on scheme budget)	Weighted Score
<b>Design Management</b>	Designing to the specification. Minor challenges however and depending on the main options, potentially seeking the "safe" design options.	<b>2</b>	Integrated team will look to create value from the design solution. They will challenge the "norm", including the appropriateness of the original specification. Can be more dynamic to resolve stakeholder issues/ concerns at an earlier stage.	<b>3</b>
<b>FINAL WEIGHTED SCORES</b>		<b>28</b>		<b>38</b>