

# CASE STUDY: CONSTRUCTION & ENGINEERING

CLIENT	International Energy Contractor
PROJECT	Energy from Waste Plant (EfW)
CONTRACT	Bespoke contract
CONTRACT VALUE	£105m
WORK SCOPE	Engineering, Procurement and Construction Contract (EPC)
BLAKE NEWPORT SERVICES PROVIDED	Procurement of civils and building elements.



## SITUATION

The client had been awarded an EPC Contract for a large EfW plant. Their experience of working within the UK Construction market was very limited. They wished to develop a strategy for the procurement of the civil and building element of the plant and to establish a framework within which they and their selected contractor would be able to work together to optimise schedule and design solutions to their mutual benefit.

Blake Newport was engaged to provide strategic and practical advice in this procurement phase and to establish a suite of documents appropriate to the objectives. The strategy for procurement once developed would require endorsement by the client's board of Directors. It was therefore necessary for the strategy to be assessed for its suitability for the client's wider organisation and the practicality of its implementation within the UK construction market. It was recognised at the outset that substantial risks existed in both cost and time should the strategy not meet its expectations

## OBJECTIVE

Blake Newport's objective was to lead the procurement process whilst addressing the following:

- To determine whether design and build works contracts should be sought or whether the client should engage consultants to produce fully detailed designs and then procure on a construct only basis
- To consider reimbursement alternatives such as Lump Sum or Target Cost
- To select contract documents for procuring the services that would allow the client's project manager to free and proactive involvement in the design development phase such that collaborative solutions could be achieved
- To mitigate the financial exposure of our client in the period prior to notice to proceed from the employer
- To procure a civil and building contract with an experienced contractor meeting both time and cost restraints.

## IMPLICATIONS

Outline discussions had already commenced with three major UK civil contractors and budget prices had been obtained against conceptual design documents. The process was complicated by the fact that planning permission had not been granted for the project and that until this was achieved only minor parts of the EPC contract were active and that our client was at risk for all costs incurred until they received a notice to proceed.

The time frame for the design and construction of the works after the issue of a notice to proceed was very tight and it was imperative that substantial progress had been made towards establishing design solutions, agreeing a robust schedule and tying down costs before the contract was fully operative. The process was further complicated by the fact that our client was still developing their process design to meet the Employer's Requirements and that conceptual design changes were arising from the planning application process.

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## BLAKE NEWPORT SOLUTIONS

Blake Newport recognised at the outset that the client did not have the resources, experience or capability to direct and co-ordinate a design consultant and sub-contractor. Additionally, the client's design office was based overseas and had limited capacity in this area. The decision was therefore made to procure on a design and build basis.

The method of reimbursement has proved problematical. From discussions with the client, Blake Newport was aware that it was an important consideration that both parties to the contract should be incentivised to continue cost effective design development and to be flexible in their approach to schedule, be collaborative and be part of the team. However, the client organisation had little knowledge of and no practical experience of Target Cost Contracts. Blake Newport therefore produced advisory documents discussing and illustrating the advantages and disadvantages of Target Cost Contracts.

The client wished to take a cautious approach and so Blake Newport recommended a two-stage contract process. The first stage dealt with pre-construction and included basic design development, production of a bill of quantities and finalisation of a target cost price. This stage was to be tendered on a competitive basis but with specific emphasis on the assessment of quality and attitude. Blake Newport produced a tender assessment document to reflect this chosen method. The basis of the contractual arrangements is such that at the end of the initial process, should the target price prove unacceptable, the documents can be made available to be used to obtain alternative prices.

The second stage involved the detailed design and construction of the project. Blake Newport developed key terms for tendering purposes and systems to track changes and information requests. Blake Newport administered the tender process from initial requests through to tender appraisals.

## OUTCOME

First stage proposals have been received and our client is currently assessing their suitability. Blake Newport remains active in providing support to this client within the Procurement Phase.