Invest Northern Ireland

Building Locally
Competing Globally

CONSTRUCTION RELATED OPPORTUNITIES

IN THE

HEALTH AND EDUCATION SECTORS

IN GB

REPORT ON BEHALF OF

INVEST NORTHERN IRELAND

Kappa Consulting

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CONTENTS

EXECUTIVE SUMMARY

1. INTRODUCTION

The previously buoyant health and education related construction sectors in GB experienced extremely uncertain conditions throughout 2010. With the advent of a new government in May 2010, it quickly became apparent that its priorities and spending plans would be fundamentally different from those of the previous government. Education was particularly hard hit with the new government's cancellation of the Building Schools for the Future programme.

Some clarity was achieved with the announcements of capital spending plans for England in October 2010 and, in education at least, these cuts were not as bad as initially feared. The devolved assemblies in Scotland and Wales have since also produced their draft budgets and, whilst market conditions still remain very challenging, at least suppliers to the health and education related construction sectors can now begin to assess the implications of those budgets and identify the priority projects which will now proceed.

This report was commissioned by **Invest Northern Ireland** in order to provide client companies with an up-to-date understanding of recent developments within both sectors, including an overview of the main procurement routes and processes and the key contractors active within each sector.

There are a number of common trends being reported in both health and education, which relate to how new projects will be delivered and the nature of those projects. They include:

- The change of emphasis in both sectors away from new build projects towards **refurbishment and fit-out**. This trend is set to increase throughout the next 4 years. The smaller scale of these projects may be an advantage to companies in Northern Ireland.
- A move towards **off-site solutions** as a means of standardising projects and eliminating the cost of one-off bespoke designs. This is likely to be a particular feature of new school building in the future.
- Of most significance to Northern Ireland companies is the level of accountability that contractors have in demonstrating that they are employing **local supply chains** wherever possible. Unless contractors can justify why they are not using local companies, then all supply and fit activity must be delivered within the local catchment area of the project.
- The **disruption of contractor supply chains at SME level**, due to financial difficulties within supplier companies.

The report considers in detail the structure of the education and health sectors in relation to capital projects and analyses the available capital funding, before examining the relevant procurement channels and dominant contractors in each sector.

The future of two key programmes remains uncertain:

- The first is the Building Schools for the Future programme, which has now been cancelled, but has not yet been replaced. It is likely that future investment policy for schools will become clearer when the findings from the Sebastian James Review of Capital Funding in Schools are published.

- The other area of uncertainty is with the relatively new Express LIFT scheme - a PPP scheme designed particularly for Primary Care Trusts. The new scheme was established to make it easier to establish new LIFT companies in the 75 primary care trusts where these no LIFT company had already been created. Since its establishment only 2/3 new LIFT companies have been formed.

With the government now intending to abolish primary care trusts and replace their role with consortia of GPs, this will undoubtedly affect the flow of new projects coming through Express LIFT and through the ongoing LIFT programme. This is particularly disappointing since, in 2009 over half of the Primary Care Trusts had at least one ongoing LIFT project.

2 HEALTH SECTOR FUNDING AND STRUCTURE

The NHS is managed separately in England, Scotland and Wales. An understanding of the structure is important for potential suppliers, as it will influence the specific procurement routes for delivering investment into the health estates.

NHS Structure in GB	
England	In England, all NHS activities are managed by 10 Strategic Health Authorities (ñSHAsò), reporting directly to the Dept of Health and supervising the NHS Trusts in each of their respective areas Primary care has been an active sector for construction in recent years, particularly in smaller scale projects, such as refurbishment of GP surgeries and construction of new health centres. There are 151 Primary Care Trusts (ñPCTsò) in England. However, PCTs are to be abolished in 2013. PCTs currently commission capital projects such as new build or refurbishment of GP offices or the build of new Super Clinics, but their role will be replaced by local consortia of GPs. **Secondary care** relates to **acute health** care and that sector is managed in England by Acute Trusts and mental health trusts. NHS mental health service trusts provide mental health care in England and are overseen by the local PCT. At secondary care level, there are 167 Acute Trusts, 58 mental health trusts and 129 Foundation Trusts.
Scotland	In Scotland, NHS activities are the responsibility of The Scottish Government Health and Wellbeing Directorate, and services are delivered through 14 regional health boards. There are circa 200 NHS hospitals in Scotland and at least 11 private hospitals.
Wales	The Welsh NHS estate includes 120 hospitals, more than 200 health centres and clinics, 50 mental health units and over 90 ambulance stations. The NHS structure in

	Wales changed in 2009. There are 3 Health Trusts with an all Wales remit, made up of Ambulance Trust, Velindre (cancer care) and Public Health Wales, and just 7 regional health boards delivering all the NHS healthcare services in their regions.

The private healthcare sector is also an important source of work for the construction sector. There are 300 private independent hospitals throughout the UK. The top 5 providers account for 171 of these hospitals; they are BMI Healthcare, Spire Healthcare, Nuffield Health, Ramsay Healthcare and HCA International.

Over the next year, the capital budget for health in GB will fall by an overall average of 13.5%; but it will be hit harder in the following 2 years. Although a number of priority new build schemes will go ahead in each region, the overall impact of the cuts will be to reduce the number of large new build hospital schemes, in favour of smaller schemes, refurbishments and maintenance.

Health – Capital Budget			
	Baseline 2010-11	**2011-12**	**% Change**
England	5,100	4,400	-14%
Scotland	557	488	-12%
Wales	283	247	-13%

In addition to funding available from government capital funds, PPP initiatives will also play a role in delivering healthcare investment in the public sector. The PPP model will be particularly influential in delivering Scotlandộs future healthcare investment plans and will be managed by Scottish Futures Trust.

3. HEALTH PROCUREMENT CHANNELS AND KEY FRAMEWORKS

The main health related construction frameworks are:

Key National Frameworks for Health Sector in GB	
England	- NHS Procure21+ - Express LIFT
Scotland	- Frameworks Scotland In addition, the 5 Scottish Futures Trust regional Hubcos will deliver health projects (not acute facilities) via their private sector PPP partner
Wales	- Designed for Life: Building for Wales 2

Where the successful contractors on these frameworks have already been appointed, details are provided in section 4 of the report.

Glenigans has recently published findings which estimate that healthcare construction starts decreased by 13% in 2010, and predict that starts will decrease by a further 19% in 2011. Whilst this is gloomy news in general, it contrasts with a relatively optimistic outlook from those contractors already placed on the ProCure21+ framework, where £400 million of NHS work has come through in the last few months.

Companies interested in pursuing healthcare opportunities in England should therefore focus on targeting the contractors on the ProCure21+ framework, since this is currently the area of key activity.

The main area of concern is at primary care level, since the re-organisation required to replace the current Primary Care structure is likely to disrupt potential projects coming through from that sector. No clear guidelines are yet in place for capital investment under the new GP consortia which will replace PCTs. However, PCTs are currently able to access the ProCure 21+ framework and are not limited to using LIFT. It seems very likely that ProCure 21+ will play a significant role in delivering investment in the healthcare sector over the next 4 years.

In Scotland and Wales, the procurement process for healthcare frameworks is still developing. Although the Frameworks Scotland contract has been underway since 2009, three out of the five regional Hubcos within Scottish Futures Trust are still in the process of procurement and appointing their PPP private sector partner, which will create an additional procurement channel in that market.

In Wales, the current Designed for Life: Building for Wales framework will expire in a few months, so companies interested in work in the region need to carefully monitor the construction media in order to identify which contractors eventually win places here. The new framework will consist of 3 regional frameworks for projects worth £4 -£10 million and a single national framework for projects in excess of £10 million. The regional frameworks will be in place by July 2011 and the national framework by June 2012.

4. EDUCATION SECTOR STRUCTURE AND FUNDING

The structure of education is changing significantly in England; two new types of school, academies and free schools, which are unavailable anywhere else in the UK, are being actively championed by the Coalition government.

England
Education in England is overseen by the Department of Education. However, **local authorities** take responsibility for implementing policy in state and public schools, and they are very influential in the commissioning and decision-making process with regard to education related construction. There are 16,951 primary schools in England and 3,500 secondary schools. Academies are a new type of school introduced in England in 2000, and the first Free Schools, based upon the Swedish education model, will be set up in England in 2011. ***Academies*** Academies are publicly-funded, independently-managed schools that aim to provide first-class free education to pupils of all abilities. England is the only part of the UK with this type of school. Up until the 2010 election, Academies were created from failing schools, or those either in special measure or deprived areas. However, this has since changes and schools rated as ñoutstanding schoolsò by Ofsted are now being fast-tracked for academy status.

Although only 32 new Academies opened by the September 2010 term it is estimated that there are currently 127 academies currently being delivered through the BSF route, with 100 more in the pipeline.

Free Schools
Free Schools are a new type of all-ability state-funded school, set up in response to parental demand. They can be primary or secondary schools.

To date the Department of Education has received 258 Free School applications; some 40 of these have now been approved (February 2011) to move to business case and plan stage.

In January 2011, when responding to questions about the likely outcome of the Sebastian James Review of Capital Spending in Schools (see section 3.4), Mr Gove stated that free schools should be **the "first choice" for councils seeking to create new schools.**

Scotland

State schools in Scotland are owned and operated by the **local authorities**, of which there are 32 in Scotland. Glasgow City Council is Scotland's largest local authority. Scotland has 2,099 primary schools, 372 secondary schools and 163 special schools. Put in context, Northern Ireland has 863 primary schools, 217 post primary schools and 41 special schools.

Wales

Wales has 1,478 primary schools, 223 secondary schools, 43 special schools and 24 FE institutions. Education in Wales is the subject of intense scrutiny at the minute, following poor performance in an international survey of educational standards. In the survey, the performance of Welsh children slipped below the top 20 ranking and the region performed worse than any other in the UK.

The key capital investment programmes for schools are shown below. Although the Building Schools for the Future ("BSF") and Primary Capital Programme have been halted, there are still ongoing projects which had received approval prior to Michael Gove's decision on the BSF.

Key Capital Investment Programmes in Education in GB	
England	- Building Schools for the Future (still ongoing) - Primary Capital Programme - Academies Programme But these programmes will be re-shaped by the recommendations in the Sebastian James Review of Capital Spending in Schools recommendations.
Scotland	- Scotland Building Schools for the Future Programme
Wales	- 21st Century Schools

In England the capital budget for education has been much more severely hit than the health capital budget, as shown below.

Education Capital Budget – England	**Baseline 2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
£ billion	7.6	4.9	4.2	3.3	3.4
Health Capital Budget -	**Baseline**	**2011-12**	**2012-13**	**2013-14**	**2014-15**

England	**2010-11**				
£ billion	5.1	4.4	4.4	4.4	4.6

The Scottish Assembly government has tried to minimise the impact of capital spending cuts on education by seeking to develop these projects through an alternative route, namely the Scottish Futures Trust.

The entire budget from the Welsh Assembly for education building projects over the next three years is £478m, but it has not been clarified exactly how much money will be available for its 21st Century Schools programme.

Until the ñSebastian James Review of Capital Spending in Schoolsò is published there are still many unknowns about the future for education construction projects in England.

The report is expected to recommend:

- A reduction in the average size and cost of new schools being built;
- New build schools in future will be based on more standardised designs, using off-site modular buildings.

When completed, the recommendations of the ñSebastian James Review of Capital Spending in Schoolsò are likely to significantly re-shape schools investment for many years to come in England and could also influence delivery models in Wales and Scotland.

5. EDUCATION PROCUREMENT CHANNELS AND KEY FRAMEWORKS

The key education frameworks in GB are summarised below:

Key National Frameworks and Channels for Education Sector in GB	
England	Partnership for Schools National Contractors Framework Building Schools for the Future (LEP preferred bidder)
Scotland	Projects will be delivered via regional Hubcos set up by Scottish Futures Trust
Wales	21st Century Schools Framework

With a number of frameworks only recently in place, such as the North West 21st Century Schools in Wales and the PfS National Contractorôs framework, the procurement routes are only recently established for some key education infrastructure investment programmes. Suppliers are now aware of the Tier 1 contractors which have been appointed to deliver education programmes in these regions.

The situation in Scotland is still emerging, as only 2 of the 5 Scottish Trust Hubcos have now completed the procurement process. However, this process should be complete for all five areas by the end of the Summer 2011. Many Scottish local authorities have their own frameworks in place and can procure school refurbishment and new build schools via this route. However, the capital budgets set to decrease, Scottish Futures Trust may become a more viable alternative, since projects are funded through revenue rather than capital budgets.

The completed picture for Wales should also be available very soon, as the South East and South West regions are in the final stages of assessing bids for the final two out of three regional frameworks for 21st Century Schools.

Should any of the cancelled BSF projects proceed in the 6 local authority areas which challenged the government in the High Court, then their preferred bidders are also already established. (See 5.2.3)

Although the Sebastian James Review of Capital Spending in Schools is expected to significantly alter how schools are built in the future, and the cost of building schools, its recommendations are unlikely to impact upon the frameworks already in place. If the stalled schemes are given approval to proceed, then preferred bidders are already in place in each of the LEP areas.

The PfS National Contractorĝs Framework has been designed to incorporate all types of school building from primary school to college, so it is likely to become the main vehicle for school construction procurement and is already delivering any of the recently approved academy schemes.

6. CONTRACTOR FEEDBACK

Telephone consultations were undertaken with buyers from the following organisations:

Contractor Interviews	
- Balfour Beatty - Bam Construction - Clugston Construction - Dawn Construction - Interserve Scotland - Interserve - Kier Group	- Leadbitter - Morrison Construction - Robertson Construction - Rydon Construction - Sir Robert McAlpine - VINCI Construction - Wates Group - Willmott Dixon

The key areas of discussion with contractors were:

- Nature and scale of current project work
- Contractor representation on health and education frameworks in GB
- Challenges / issues they are facing in the healthcare and education sectors
- Insight into the procurement process and how buying decisions are made
- Preferred approach from potential new suppliers
- Specific advice and tips they may have for potential new suppliers from Northern Ireland

Section 6 of the report provides a summary of buyer responses to these questions and an analysis of the implications of their comments for potential suppliers from Northern Ireland.

Getting involved in healthcare and education construction projects in GB will inevitably mean having to break into the already established supply chains of some of the largest contracting companies in GB. The challenges are significant; but the current economic climate presents opportunities as well as threats, since the SME supply chain of these large contractors has been reduced as other suppliers have gone out of business. However, this will ensure that remaining and prospective suppliers find their financial position under additional scrutiny.

Whilst contractors appear open to considering new suppliers, a tailored approach, which is specifically relevant to a forthcoming project, is critical. Contractors are inundated with approaches from potential new suppliers and only those which can offer *demonstrable* additional benefits or additional value will be considered. It will not be enough to make claims and statements about the companyĝs capabilities, without having evidence to support the claims.

If contractors can buy the same product or service, for the same price, within the catchment area of the project, then previous experience and track record will count for very little. Suppliers need to assess in advance, before approaching a contractor, how they can support the contractorĝs need to be accountable for integrating ñlocalò labour into the supply chain, as this issue is at the forefront in health and education related public sector construction. Again, this issue can be overcome if the supplier can demonstrate that the company will be able to deliver additional benefits or expertise.

7. CONCLUSIONS

Both the health and education sectors have been severely affected by the budget cuts announced by central government and the devolved administrations, although the effects have been more marked in education. However, the budgets are still substantial and represent a volume and scale that is simply unavailable in Ireland.

Conventional funding will be supplemented by PPP initiatives; this will be the key route for delivering investment in Scotland over the next 4 years. There are suggestions that new PPP models will be developed for public sector investment and that some of the largest national contractors will drive this, as it is in their interest to ensure that the pipeline of public sector work continues.

The publication of the Comprehensive Spending Review and the subsequent publication of the devolved administration budgets at least provide clarity about the position over the next 4 years, all of which were unknown less than 4 months ago.

A number of procurement frameworks in both sectors are now already in place or in the process of being procured and the successful contractors on the new frameworks should be announced imminently; these are discussed fully within the report. Northern Ireland companies seeking to supply to these successful contractors will therefore be able to follow up on an accurate prospect list

1. INTRODUCTION

1.1 Introduction

1.1.1 Invest NI has commissioned a research project into construction related opportunities in the health and education sectors in GB.

The purpose of the project is to provide client companies with an up to date understanding of recent developments within both of these sectors, including an overview of the main procurement routes and processes, and a profile of the key Tier 1 contractors.

This research was conducted on behalf of Invest NI by Kappa Consulting and Karen Thompson Consulting.

1.2 Common trends in both health and education related construction projects

1.2.1 Budget restraints and government policy changes are impacting not only on the scale of capital investment within both health and education, but also the nature of forthcoming projects and how they are delivered.

1.2.2 As funders look for ways to get the most from more limited budgets, the industry is seeing more and more of an emphasis being placed on **refurbishment projects** and refit projects rather than on new build; this is expected to continue to be a strong feature over the forthcoming years of the Comprehensive Spending Review. As a result, the overall average value of individual project budgets across both health and education is likely to decrease, as refurbishment projects account for a higher proportion of work, rather than large scale new build projects.

As shown below, the amount of refurbishment work as opposed to new build has been increasing steadily in both sectors, and the impact of the Comprehensive Spending Review should accelerate this further:

Project Starts £ million						
	Education			Health		
	New Build	Refurb	% Refurb	New Build	Refurb	% Refurb
2009 H1	2,889	544	16%	891	216	20%
2009 H2	2,849	675	19%	1,087	268	20%
2010 H1	2,663	579	18%	814	286	26%
2010 H2	2,305	655	22%	625	205	25%

(Source: Glenigans)

A number of contractors have commented that their current supply chains tend to be more geared towards new build situations, and so they are currently reviewing specific experience of refurbishment projects, and particularly any involving substantial structural change. Refurbishments often have to take place in occupied buildings, and so the ability to plan and meet very strict deadlines, as well as undertaking out of hours work, is key to success.

1.2.3 Shifting construction models to maximise **off-site manufacture** is a much discussed topic in both sectors, and is expected to be a key feature of public sector construction in future. Indeed, a number of contractors are gearing up to have appropriate health and education solutions in place, in anticipation that off-site solutions will become more and more commonplace in project specifications.

1.2.4 The **“local agenda**ò is becoming an increasingly important factor in the buying decision, and is a key issue that needs to addressed by contractors when **developing their supply chain**. Localism will create different regional decision-making priorities across England. In relation to supply chain development contractors will be increasingly expected to provide evidence that they are ñrecycling the local poundò and involving local companies and labour in their supply chains; this is particularly the case where a labour element is involved in the project, but is slightly less of an issue for contractors when sourcing product only.

Contractors are accountable to clients for the level of local labour that is used on projects. For example, figures published in relation to the ñDesigned for Life: Building for Walesò framework, which is due to expire in June 2011, highlighted that over the duration of the framework 71% of labour used was Welsh and 60% of the construction value went to Welsh suppliers.

It is important to clarify that, whilst these statistics relate to Wales as a whole, the localism agenda is becoming more and more regional and will often apply to the immediate geographical area of the project. Under procurement regulations, local suppliers cannot be given preferential treatment; but the onus will be on other suppliers from outside the region to demonstrate better value for money.

1.2.5 There is pressure to ensure that construction projects are **open and available to smaller suppliers as well as large scale companies**. The government held an óSME Summitô in mid February 2010, at which it pledged to ensure that more opportunities would be made available to SME construction companies. Some of the proposals included removing PQQs for projects worth less than £100,000, and breaking up large frameworks and forcing national contractors to open up their supply chains further to SMEs. At the Summit, the government launched a new Contracts Finder service, where it will bring together OJEU notices and contracts worth less than £100,000, in order to increase access to procurement opportunities for SMEs.

Some of these proposals would appear to contradict government objectives to increase public sector procurement efficiencies, but they should certainly create more opportunities for smaller scale suppliers.

1.2.6 Tier 1 contractors must demonstrate within the bid process that they have a fully integrated supply chain already in place. However, a common theme emerging from Tier 1 contractors across both sectors is that for many their **supply chains have been disrupted**, particularly at SME level, by suppliers going out of business. These unfortunate ódisruptionsô create opportunities for new suppliers, who can provide evidence of relevant experience and a stable financial position.

1.3 Report Structure and Format

1.3.1 Following a period of great uncertainty and stalled projects across both health and education after the General Election in 2010, the Comprehensive Spending Review of October 2010 has now at least injected some clarity regarding the level of public sector spending in England in both sectors over the next 4 years.

The devolved administrations in both Scotland and Wales have now produced their draft budgets for the 4 year review period, and have outlined priorities for capital expenditure on health and education. Their expenditure plans, particularly in Scotland, revolve around finding new PPP vehicles and additional ways to help to finance investment in both sectors.

Sections 2 and 4 of the report detail the structure, capital budgets and investment priorities for the health and education sectors going forward.

1.3.3 Sections 3 and 5 detail the main procurement channels, frameworks and contractors active within each sector. As explained in Section 4 and 5, the situation is still evolving, as new policies are put in place and systems come under review by the coalition Government:

- In spite of the sensational headlines in the summer of 2010 about the scrapping of the **Building Schools for the Future** programme, the position no longer looks as bleak as it did. However, the industry is now impatiently awaiting publication of the ñSebastian James Review of Capital Spending in Schoolsò commissioned by Michael Gove, which was initially due for publication in December 2010. This review will provide recommendations on a system for replacing BSF, and will look beyond just BSF and into early years, primary schools and colleges.

  A number of local authorities in England have achieved a promising outcome from the High Court as a result of their **challenge to the government** about the legality of cancelling school projects which had already received approval of the business case under BSF ï a process which had already involved significant levels of investment. The government has now been forced to consult further with these authorities regarding their capital investment plans, but this does not necessarily mean that these projects, worth a combined £1 billion, will go ahead.

- Within health in 2010, there was considerable frustration within the industry at the length of time which lapsed between the expiry of the old ProCure 21 framework and the new ProCure 21+ framework going live. However, since October 2010, there has been significant activity on the framework, with £400 million worth of new projects awarded.

  However, the **Express LIFT and LIFT frameworks**, which relate to work undertaken on behalf of Primary Care Trusts, now appear to be in difficulty, with the news that all Primary Care Trusts are to be abolished by 2013.This move will allow GPs (or consortia of GPs) to have more direct control over their own budgets in future. In the short-term, there is little incentive for the current primary care trusts to continue to drive construction projects.

The report identifies the main contractors active within each area, and profiles the main frameworks currently in place and anticipated for the future.

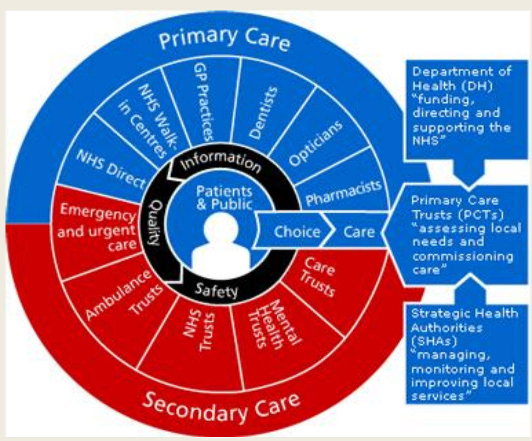
2. HEALTH SECTOR STRUCTURE AND FUNDING

2.1 Public Health Sector Structure

2.1.1 The NHS provides the majority of healthcare throughout GB. Although funded directly from central government, the NHS is managed separately in England, Scotland and Wales.

The table below summarises the structure of the NHS throughout England, Scotland and Wales. It is important to be aware of NHS structure at trust and regional board level, as these are the players likely to be commissioning new construction projects.

<table>
<tr><th colspan="2">NHS Structure in GB</th></tr>
<tr><td>England</td><td>
In England, all NHS activities are managed by 10 Strategic Health Authorities (ñSHAsò), reporting directly to the Dept of Health and supervising the NHS Trusts in each of their respective areas
Health services are delivered either at primary care level (GPs, dentists, opticians) through Primary Care Trusts (PCTs) or at secondary care level (hospitals).
There are 151 PCTs in England. However, PCTs are to be abolished in 2013. PCTs currently commission capital projects such as new build or refurbishment of GP offices or the build of new Super Clinics.
At secondary care level, there are 167 Acute Trusts, 58 mental health trusts and 129 Foundation Trusts.



Primary care is the first point of contact with the NHS for most people. Primary Care Trusts are currently in charge of all primary care, although this is set to change in 2013.
Primary care has been an active sector for construction in recent years, particularly in smaller scale projects, such as refurbishment of GP surgeries and construction of new health centres.
In relation to capital investment within PCT estates, the trusts have had to seek approval from the Strategic Health Authorities.
Secondary care relates to acute health care and that sector is managed in England by Acute Trusts and mental health trusts. NHS mental health services trusts provide mental health care in England and are overseen by the local PCT.
</td></tr>
</table>

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NHS Structure in GB	
Scotland	In Scotland, NHS activities are the responsibility of The Scottish Government Health and Wellbeing Directorate, and services are delivered through 14 regional health boards. There are circa 200 NHS hospitals in Scotland and at least 11 private hospitals. The 14 regional health boards are listed below in order of size of overall budget allocation: -Greater Glasgow and Clyde - Lothian - Lanarkshire - Grampian - Tayside - Ayrshire and Arran - Fife - Highland - Forth Valley - Dumfries & Galloway - Borders - Western Isles - Shetland - Orkney
Wales	The Welsh NHS estate includes 120 hospitals, more than 200 health centres and clinics, 50 mental health units and over 90 ambulance stations. The NHS structure in Wales changed in 2009. There are 3 Health Trusts with an all Wales remit, made up of Ambulance Trust, Velindre (cancer care) and Public Health Wales, and just 7 regional health boards delivering all the NHS healthcare services in their regions. - Abertawe Bro Morgannwg University Health Board - Aneurin Bevan Health Board - Betsi Cadwaladr University Health Board - Cardiff & Vale University Health Board - Cwm Taf Health Board - Hywel Dda Health Board - Powys Teaching Health Board

Source: NHS website

2.2 Private Health Sector Structure

2.2.1 In addition to the NHS, the private healthcare sector is an important source of work for the construction sector. There are 300 private independent hospitals throughout the UK. The top 5 providers account for 171 of these private hospitals.

Group	No. Hospitals
BMI Healthcare	73
Spire Healthcare	37
Nuffield Health	32
Ramsay Healthcare	23
HCA International	6
Others	129
Total	**300**

Source AMA Healthcare Construction 2010

2.3 Health Sector Capital Budgets

2.3.1 Although capital spending has been hit hard for both health and education in the Comprehensive Spending Review, there is some relief in that the cuts have not been as bad as initially feared. Combined capital spending in England for both sectors had been expected to fall by as much as 35% over the next four years, but will now fall by just over 30%.

2.3.2 <u>England</u>

The capital expenditure projected for each of the 4 years of the review period is as follows:

England - Healthcare – Capital Budget					
	Baseline 2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
£ billion	5.1	4.4	4.4	4.4	4.6

Source: HM Treasury website

This funding includes budget for priority hospital schemes, including St. Helier, Royal Oldham and West Cumberland. The total cost of these 3 projects is £343 million. Otherwise, the focus of the capital spending in the health sector will be on essential **maintenance, refurbishment and equipment**.

2.3.3 Health and education budgets within the devolved regions are part of the overall central government settlement to that region. Therefore, it is the Assembly Governments in Scotland and Wales which decide on the capital allocation to be spent from the budget received from Westminster

2.3.4 Scotland

Over the 4 year period (2010/11 ï 2014/15), the capital budgets available to the Scottish Government will fall by 36% in real terms. As a result, both the health and education budgets will be cut.

In 2010/11, the capital investment budget for **health** was £557 million; in the draft budget for 2011/12 this figure drops to £488mn - a reduction of 13% over the previous year.

The Scottish government plans to lever additional capital spend through the use of new funding models. This is an excerpt from the Draft Budget document:

> *"in addition to its planned capital investments in 2011-12 and future years, the Scottish Government will……….take forward a new, affordable pipeline of revenue financed investment worth up to £2.5 billion* (for all capital projects ï not just health)*, to be delivered through the Non-Profit Distributing (NPD) model………*

In line with other regions, it is now generally considered that PFI does not represent value for money, and so the government has now confirmed its support for a new funding model ï the Non-Profit Distributing (NPD) model. This model imposes a cap on profits re-distributed to the private sector. Projects in health and education are ear-marked for funding under the NPD model, which will be managed by Scottish Futures Trust (See section 5.2.4 of the report).

2.3.5 Wales

The capital budget for the NHS in Wales will fall from £283.3m in 2010/11 to £205.2m in 2013-14 ï a drop of 28% over a 3 year period. As in other regions, the budget cuts will mean that it is unlikely that major new hospital projects will be undertaken, as the focus will be on **maintenance and refurbishment of buildings and equipment**.

Wales – Health – Capital Budget				
	Baseline 2010-11	2011-12	2012-13	2013-14
£ million	283	247	230	205

Source: Welsh Assembly Government website

2.4 Summary and Conclusions

2.4.1 Over the next year, the capital budget for health in GB will fall by an overall average of 13.5%; but it will be hit harder in the following 2 years. Although a number of priority new build schemes will go ahead in each region, the overall impact of the cuts will be to reduce the number of large new build hospital schemes, in favour of smaller schemes, refurbishments and maintenance.

Health – Capital Budget			
	Baseline 2010-11	**2011-12**	**% Change**
England	5,100	4,400	-14%
Scotland	557	488	-12%
Wales	283	247	-13%

In addition to funding available from government capital funds, PPP initiatives will also play a role in delivering healthcare investment in the public sector. The PPP model will be particularly influential in delivering Scotlandôs future healthcare investment plans and will be managed by Scottish Futures Trust.

3. HEALTH – PROCUREMENT CHANNELS AND KEY FRAMEWORKS

3.1 Introduction

3.1.1 Construction within the health sector fell back significantly in 2010. The drop in the number of health related projects which received detailed planning approvals from September 2010 ï November 2010, compared with the same period in the previous year, provides an indication of how the sector has been affected on a regional basis.

Region	Value of Planning Approvals in the Healthcare sector £million	% Change by Region (Sep – Nov 2010 vs 2009)
Northern Ireland	£3 m*	+56%
Scotland	£20 m	- 88%
Wales	£7 m	-91%
England:		
East Midlands	£45 m	+27%
North West	£67 m	- 61%
East of England	£69 m	- 15%
South West	£93 m	+634%
London	£33 m	-54%
West Midlands	£24 m	-74%
North East	£81 m	+78%
South East	£94 m	+106%
Yorkshire and Humberside	£37 m	-64%
Source: Construction News		

** September only; A small number of large scale projects can cause significant regional swings in performance. In the South West, for example, the strong performance in health is due to the £70 million redevelopment of the Bristol Royal Infirmary.*

3.1.2 However, with the launch of the new Procure21+ framework in October 2010, and as the implications of the Comprehensive Spending Review become clearer, it is hoped that activity will start to pick up.

There are four major national frameworks in GB, for most major health sector construction projects. Outside of these frameworks, the other main procurement channels are directly with local authorities, health trusts/boards and private healthcare providers.

The following sub-sections detail the main national frameworks and the main Tier 1 contractors active in the healthcare sector.

3.2 Key Health Frameworks

3.2.1 Frameworks are increasingly being used for public sector procurement in GB, as a more cost effective and efficient method of procurement, delivering:

(i) Cost efficiencies within the procurement process;
(ii) Reduced lead times in procuring the required build and design services.
(iii) Longer term relationships with suppliers, leading to better designed and constructed buildings and greater cost efficiencies in the process.

The frameworks are typically of a 4 year duration, and often have an option to extend for a further year to 2 years.

The key national frameworks for the health sector are:

Key National Frameworks for Health Sector in GB	
England	- NHS Procure21+ - Express LIFT
Scotland	- Frameworks Scotland
Wales	- Designed for Life: Building for Wales 2

3.2.2 **NHS Procure 21+** (England)

ProCure21+ is a national procurement framework for construction related projects within the NHS. ProCure21+can be used by any NHS organisation or any non-NHS organisation collaborating with an NHS organisation for the provision of a facility that has a health component.

Six Principal Supply Chain Partners (PSCPs) have been appointed (via OJEU tender) onto the framework to undertake capital investment construction schemes across England up to 2016.

The framework is worth up to £4.5 billion in projects, although in reality it is unlikely to reach that upper limit. It went live October 2010 (taking over from the ProCure21 framework), and can be used for the following types of work:

- Service planning or reconfiguration reviews;
- Major Works Schemes (or refurbishments);
- Minor Works programmes, in which each task value does not exceed £1m;
- Refurbishments;
- Infrastructure upgrades (roads, plant, etc) and non-health buildings (car parks, etc);
- Feasibility studies.

The 6 PSCPs appointed onto the framework were announced in August 2010; they are:

ProCure21+ Contractors	
Balfour Beatty	Sir Robert McAlpine / Vinci (IHP)
Interserve	Miller

Kier	Willmott Dixon

Laing OôRourke, the contractor which won most work on the previous framework, was not successful.

Since the launch of the NHS Procure 21+ framework in October 2010, 24 schemes have been registered by NHS clients with a total value of almost £400 million; these have included:

Project	Stage	Contractors	Value £
Isle of Wight Primary Care Trust	Awarded	Kier	£1.5 million
Royal Bournemouth and Christchurch Hospitals NHS Foundation	Awarded	Kier	£6.5 million
Royal Oldham Hospital, Manchester	Awarded	Integrated Health projects	£33 million
Lister Hospital, Stevenage	Awarded	Integrated Health Projects	£70 million
Blackpool mental health facility	Awarded	IHP	£30 million
Uniteds Lincolnshire Hospitals Pilgrim Hospital	Awarded	Interserve	£3 million
Rotherham Hospital	Awarded	Kier	£10 million
Brighton & Hove	Awarded	Kier	£3.5 million
Programme of works in Nottinghamshire	Shortlist	Willmott Dixon IHP Interserve Kier	Up to £60 million
NHS Blood and Transport Authority	Shortlist	Willmott Dixon Interserve Kier	£ 3 million

Source: ProcCure 21+

NHS Procure 21+ also has a Minor Works component, utilising the same 6 PSCPs. NHS clients can use this component for minor and maintenance works up to £1 million.

3.2.3 **Express LIFT** (England)

NHS LIFT (ñLocal Improvement Finance Trustò) is a public private partnership vehicle for improving and developing frontline primary and community care facilities - allowing Primary Care Trusts (ñPCTsò) to work with a strategic partner who will develop new primary care premises which the PCT then leases. LIFTcos are established to undertake a range of successive projects in a particular geographic area.

Express LIFT is a framework used by the PCTs. The list of successful bidders on the *Express LIFT* framework was published by the Department of Health on 16 March 2009, and are:

- Community Solutions for Primary Care;
- Express LIFT Investments Limited;

- Equity Solutions;
- Eric Wright Group;
- Fulcrum Infrastructure Group;
- Odyssey Healthcare;
- Prime Plc.

Express LIFT operates *in addition to* the LIFT framework, which has been very successful in delivering new primary care premises. During 2009, it was estimated that half of all PCTs in England were using the scheme and a total of 250 schemes were completed by the time Express LIFT came into operation. In 2008/09 over £127 million of LIFT investment was approved.

In 2008 uptake of LIFT by primary care trusts was as follows:

Primary Care Trusts involved in LIFT 2008	
South Central	44%
South East	13%
South West	21%
East Midlands	89%
West Midlands	59%
East of England	43%
London	94%
North East	42%
Yorkshire and the Humber	43%
North West	67%

Express LIFT was developed to encourage the establishment of LIFT Companies in areas with no existing LIFT company provision. It was designed to remove some of the bureaucracy of the LIFT scheme

The first *Express LIFT* project in the UK was awarded in December 2010; it is the Sedberg Health Centre in Cumbria and work is due to commence in early 2011. The new scheme has not yet lived up to expectations; few PCTs have yet committed to a LIFT project. Factors influencing the poor uptake on LIFT include PCT concern over budgets and the more difficult borrowing conditions.

The new Coalition government has announced that all Primary Care Trusts are to be abolished as of 2013, with their responsibilities moving to local consortia of GPs. The role of *LIFT and Express LIFT* after this date is uncertain. A number of options are being discussed, including the potential for local authorities to take over the role of PCTs on the scheme or, more likely, GP consortia will take over the shareholding of the primary care trusts in any existing LIFT companies.

Despite the large number of new and refurbished primary care facilities, in most areas many services are still delivered from buildings that are not fit for purpose. The need to improve primary care facilities remains, particularly given the continuing importance placed on shifting services from acute hospitals to community settings.

3.2.4 **Frameworks Scotland**

Frameworks Scotland is the national framework for publicly funded healthcare construction throughout Scotland - excluding the Scottish Futures Trust and hub models.

ôFrameworks Scotlandô commenced in March 2009 and runs for 4 years (with a 2 year extension option). Modelled on the ProCure21 and Designed for Life frameworks in England and Wales respectively, it has a budget of £600 million and is managed by Health Facilities Scotland.

There are five appointed Principal Supply Chain Partners (PSCPs) on the four-year construction Framework:

Frameworks Scotland PSCPs	
Bam	Galliford Try (Morrison Construction in Scotland)
Interserve Project Services	Robertson Dawn Health
Laing OôRourke	

Projects currently registered or underway under Frameworks Scotland are listed below:

Project	**Value £**
Ayrshire and Arran	
Building for Better Care	35.8 mn
North Ayrshire Community Hospital	81.5 mn
Borders	
Renal Dialysis Expansion	2.3 mn
Dumfries and Galloway	
Royal Infirmary Development	120 mn
Acute Mental Health	32.4 mn
North West Dumfries Primary Care Centre	10 mn
Fife	
Glenwood and Kirklands Dental Service Centres	3.2 mn
Glenwood Health Centre	6.8 mn
Forth Valley	
Falkirk Community Hospital	9 mn
Grampian	
Combined Heat and Power Centre	15.8 mn
Aberdeen Emergency Care	111.3 mn
ARI Cancer Centre	16 mn
Forres Primary Care Centre	12.13 mn
Health Campus Foresterhill & Whinhill	12.1 mn
Healthcare Village	28.8 mn
Woodend Hospital Ward Reconfiguration	1.6 mn
Woodside Medical Practice	5mn
Greater Glasgow & Clyde	

Inverclyde Royal and Royal Alexandra Hospitals Catering	9.5 mn
Mental Health Restructuring	18.1 mn
Possilpark Health Centre - £10.4m	10.4 mn
GRI Expansion of A & E - £4.7m	4.7 mn
Alexandria Medical Centre - £20.8m	20.8 mn
Highland	
Dental Access Centre	4.1 mn
Replacement Migdale Hospital	8.5 mn
Tain Health Centre - £500,000	0.5 mn
Day Services Centre	26.2 mn
Angio Cath Labs	5.8 mn
Portree and Thurso Dental Centres	2.6 mn
Lochgilphead Mental Health Facility	15 mn
Lothian	
Royal Victoria Development	47 mn
Edinburgh Royal Hospital for Sick Children	155 mn
St Johns Hospital	4.1 mn
Edinburgh Cancer Centre Phase 7	0.344 mn
Lanarkshire	
Lanarkshire Projects	20.2 mn
National Services Scotland	
Tayside	
Carsview Centre and Perth Royal Infirmary	5.4 mn
Montrose Community Maternity Unit	
ACU Ninewells; Nuclear Medicine Perth Royal Infirmary and Ninewells	17 mn
Stracathro Kitchen	2.3 mn
Western Isles	
Dental Centre	4.7 mn

Source: Frameworks Scotland

3.2.5 Scottish Futures Trust

Scottish Futures Trust has been set up to support the delivery of new PPP schemes using the Non-Profit Distributing model, which is very similar to PFI, but introduces a cap on the level of profit that can be taken out by the private sector.

The role of Scottish Futures Trust is explained more fully in section 5, but it will play a role in procurement of primary care facilities. Scottish Futures Trust will have no involvement in the procurement of acute facilities i.e. hospitals.

3.2.6 Designed for Life: Building for Wales 2

ÓDesigned for LifeÒ is the Welsh NHS construction procurement and delivery framework for major capital projects with a total cost in excess of £4 million.

The current framework is due to expire in June 2011, but it will be replaced by the ÓDesigned for Life: Building for Wales *2*Ô framework. The new framework is expected to have a value of £100 million per annum, and will not cover any projects valued at less than £4 million.

The new framework will be made up of:

- 3 regional frameworks, each with not more than 3 successful suppliers per framework discipline. The regional frameworks will be used for projects valued between £4 million and £10 million. The 3 regional frameworks will be in place by July 2011.

- 1 national framework with 3 suppliers, for projects in excess of £10 million. The National framework in place by June 2012.

The successful contractors on the previous framework were Bam, Interserve, Laing OôRourke.

3.3 Leading Contractors in Health Construction

Construction in the public healthcare sector is dominated by a small number of large, national Tier 1 contractors. The top 10 UK health sector contractors in 2010 were:

Contractor	Number of healthcare projects	Value of projects £mn
Interserve	23	4,116
Kier Group	21	4,105
Balfour Beatty	9	4,055
VINCI Construction	8	4,027
Wilmott Dixon	3	4,017
Crispin & Borst	2	4,010
Miller Group	3	4,006
Laing OôRourke	6	95
Galliford Try	10	66
Wates Group	10	65

Source: Construction News

The key clients for this contractor workload in 2010 were:

Client	Number of healthcare projects	Value of projects £mn
Department of Health	146	4,470
University of Kent Medical Centre	1	80
Birmingham & Solihull Mental Health Trust	1	41
Prime (UK)	3	29
BasLIFT	3	26
Bury, Tameside & Glossop Community Solutions	2	25
Davis Langdon LLP	1	25
Home Office	3	24
Ideal Care Homes	7	19
Alpha Hospitals	1	17

Source: Construction News

3.4 Summary and Conclusions

Glenigans had recently published findings which estimate that healthcare construction starts decreased by 13% in 2010 and expect that starts will decrease by a further 19% in 2011. Whilst this is gloomy news in general, it contrasts with a relatively optimistic outlook from those contractors already placed on the ProCure21+ framework, where £400 million of NHS work has come through in the last few months.

Companies interested in pursuing healthcare opportunities in England should therefore focus on targeting the contractors on the ProCure21+ framework, since this is currently the area of key activity.

The main area of concern is at primary care level, since the re-organisation required to replace the current Primary Care structure is likely to disrupt potential projects coming through from that sector. No clear guidelines are yet in place for capital investment under the new GP consortia which will replace PCTs. However, PCTs are currently able to access the ProCure 21+ framework and are not limited to using LIFT. It seems very likely that ProCure 21+ will play a significant role in delivering investment in the healthcare sector over the next 4 years.

In Scotland and Wales, the procurement process for healthcare frameworks is still developing. Although the Frameworks Scotland contract is now underway since 2009, three out of the five regional Hubcos within Scottish Futures Trust are still in the process of procurement.

In Wales, the current framework will expire in a few months, so companies interested in work in the region need to carefully monitor the construction media in order to identify which contractors eventually win places here.

4 EDUCTION SECTOR STRUCTURE AND FUNDING

4.1 Education Sector Structure

4.1.1 The following table provides a brief overview of the education structure in each of the 3 GB jurisdictions, and particularly in England where changes in education policy have led to the development of 2 new types of school ï academies and free schools. The Coalition Government is keen to see more of both of these new types of school, and so they should be of potential interest to the construction sector.

England
Education in England is overseen by the Department of Education. However, **local authorities** take responsibility for implementing policy in state and public schools, and they are very influential in the commissioning and decision-making process with regard to education related construction. There are 16,951 primary schools in England and 3,500 secondary schools. Academies are a new type of school introduced in England in 2000, and the first Free Schools, based upon the Swedish education model, will be set up in England in 2011. ***Academies*** Academies are publicly-funded, independently-managed schools that aim to provide first-class free education to pupils of all abilities. England is the only part of the UK with this type of school. Academies are **funded directly by central government** and are free from local authority control. Other freedoms include setting their own pay and conditions for staff, freedom from following the National Curriculum, and the ability to change the lengths of their terms and school days. Up until the 2010 election, Academies were created from failing schools, or those either in special measure or deprived areas. However, this has since changed and schools rated as ñoutstanding schoolsò by Ofsted are now being fast-tracked for academy status. Michael Gove stated in 2010 that over 1,000 applications had been received from schools to transfer to Academies. In fact it later transpired that only 153 actual applications had been received and over 1,000 Expressions of Interest. By the end of the academic year 2010 there were 203 academies across England. Although only 32 additional Academies had opened by the September 2010 term it is estimated that there are currently 127 new academies being delivered through the BSF route, with 100 more in the pipeline. ***Free Schools*** Free Schools are a new type of all-ability state-funded school, set up in response to parental demand. They can be primary or secondary schools. In June 2010, Michael Gove confirmed that there had been 700 Expressions of Interest for new free schools. To date the Department of Education has received 258 Free School applications; some 40 of these have now been approved (February 2011) to move to business case and plan stage, and of these 9 have been approved to move to the pre-opening stage. Further proposals which have been approved will be listed in due course. A number of these Free School proposers aim to open in September 2011. Mr Gove has stated that there is no upper limit yet set as to the number of free schools which could be set up. The 9 schools approved to the pre-opening stage are: - Batley Grammar School, West Yorkshire (Existing, fee-paying school) - Bedford and Kempston Free School (New) - Discovery New School (New) - Langley Hall Primary Academy (New)

- Rivendale Free School (New)
- St Lukeôs Primary School (New)
- Stour Valley Community School (New school on an existing school site)
- The Free School Norwich (New)
- Woodpecker Hall Free School (New)

The spread of applications shows that the greatest interest in free schools is coming from London and the South East. Most will be expected to identify suitable premises from existing buildings e.g. other schools due for closure, library, community buildings etc. Planning regulations have already been changed to facilitate the conversion of existing buildings for use as free schools. Therefore free schools are likely to be established with a much smaller capital budget than would be the case for a traditional new school or academy.

In January 2011, when responding to questions about the likely outcome of the Sebastian James Review of Capital Spending in Schools (see section 3.4), Mr Gove stated that free schools should be **the "first choice" for councils seeking to create new schools.**

Scotland

State schools in Scotland are owned and operated by the **local authorities**, of which there are 32 in Scotland. Glasgow City Council is Scotlandôs largest local authority.

Scotland has 2,099 primary schools, 372 secondary schools and 163 special schools. Put in context, Northern Ireland has 863 primary schools, 217 post primary schools and 41 special schools.

Some 303 schools have been rebuilt or refurbished in Scotland between 2007 and 2010, and the Scottish Assembly is currently overseeing a £1.25 billion school rebuilding and refurbishment project through the **Scottish Futures Trust**. This programme is projected to deliver 55 new schools in Scotland.

Wales

Wales has 1,478 primary schools, 223 secondary schools, 43 special schools and 24 FE institutions. Education in Wales is the subject of intense scrutiny at the minute, following poor performance in an international survey of educational standards. In the survey, the performance of Welsh children slipped below the top 20 ranking and the region performed worse than any other in the UK.

An auditor general's report last summer (2010) on the Welsh schools estate concluded that there was a long way to go before all school buildings in Wales were "fit for purpose". As a result, a new programme for school investment is getting underway in Wales - the **21st Century Schools Programme** - funded by the Welsh Assembly Government and local councils. It is set to run for at least the next 15 years, but already there are suggestions that most of the proposals will be unaffordable.

4.2 Education Sector Capital Budget

4.2.1 England

Over the last 5 years there has been considerable growth in the level of capital spend within the education sector, and education has been one of the strongest performing construction sectors in the UK.

However, the October 2010 Comprehensive Spending Review announced a 55% drop in educationôs capital budget over the 4 years to 2014-15, with the budget dropping by 35% in 2011/12 alone.

4.2.2 The capital budget projected for each of the 4 years of the review period is as follows:

England – Education – Capital Budget					
	Baseline 2010-11	**2011-12**	**2012-13**	**2013-14**	**2014-15**
£ billion	7.6	4.9	4.2	3.3	3.4

Source: HM Treasury

4.2.3 In December 2010, the Government announced that £2.1bn of funding would be available in 2011/12 for schools, over and above the funding set aside for projects covered under BSF. This £2.1bn funding has been earmarked for:

- £800mn of basic need funding to **local authorities** to provide school places where needed in their area, in all categories of taxpayer-funded schools.

- £858mn of **maintenance** capital to **local authorities** to support the needs of the schools that they maintain and for the Sure Start childrenҫs centres in their area.

- £196mn of locally-coordinated Voluntary-Aid programme capital to support the **maintenance** needs of **voluntary-aided** schools.

- £185mn of devolved formula capital for schools.

4.2.4`Scotland

Scotlandҫs 2011-12 draft budget confirmed that a number of large scale education projects would go ahead as planned. The Assembly government stated that no school project in Scotland will be cancelled and it will continue to deliver the investment programme, as planned, over a number of years.

However, only a limited element of these projects will be funded through the Scottish Assembly, but will make use of the new PPP model being pioneered by Scottish Futures Trust. They include:

- Education projects with a capital value up to £750mn - specific projects within Scotland's **Schools for the Future programme**, subject to the agreement of local authorities (£400-£500 million);

- Improvements to the **further education** college estate at **Kilmarnock and Inverness** (around £100 million);

- Modernisation of the **Glasgow college estate**, subject to the conclusion of a robust and affordable business case (approx £200 million).

However, it is expected that little of this expenditure will actually filter within 2011-12, as many of these projects still need to go through planning and procurement stages.

4.2.5`Wales

The entire budget from the Welsh Assembly for education building projects over the next three years is £478m, but it has not been clarified exactly how much money will be available for the 21st Century Schools programme.

4.3 Strategy for Delivery of Capital Education Projects

4.3.1 The key capital investment programmes for the education sector in England, Scotland and Wales are discussed below; they are:

Key Capital Investment Programmes in Education in GB	
England	- Building Schools for the Future (still ongoing) - Primary Capital Programme - Academies Programme But these programmes will be re-shaped by the recommendations in the Sebastian James Review of Capital Spending in Schools recommendations.
Scotland	- Scotland Building Schools for the Future Programme
Wales	- 21st Century Schools

4.3.2 England

Partnership for Schools (ñPfSò) is an organisation set up to deliver education investment programmes in England. It manages the 3 capital investment programmes detailed below.

Building Schools for the Future ("BSF")

Launched in 2004, BSF was a major government funded programme, set up to rebuild or refurbish all of the 3,500 secondary schools in England, with half of all schools to be entirely rebuilt.

Under the programme it is local authorities who are responsible for commissioning and maintaining the schools, and the local authorities apply to PfS for BSF funding. Public private partnerships were established to deliver the build projects ï known as ñLEPò (Local Education Partnerships) ï which are partnerships between the local authority and a private sector company, to deliver a range of projects across education.

The BSF programme was halted in June 2010 and only those projects which had reached financial closure by this stage, or which had received outline business case approval, were allowed to proceed - this meant that over 700 school building projects were scrapped (incl 63 ICT only projects).

However, latest industry reports suggest that the recommendations in the ñSebastian James Review of Capital Spending in Schoolsò could mean that these 700+ schools projects could be salvaged ï by moving towards more cost effective construction methods and more off-site manufacturing.

The table below summarises the latest position with regard to BSF:

BSF Programme £55 billion - Cancelled
Aim of Programme: To refurbish or re-build every secondary school in England
Delivery Model: Local Education Partnership (LEP) set up between local authority, school and private sector contractor
Pre-June 2010: - 180 English secondary schools refurbished or re-built - 231 schools in construction or almost at construction stage
June 2010: - 735 individual school schemes cancelled - 58 local authorities affected - 151 projects under review - 44 allowed to proceed on the basis that they had reached financial closure - 14 sample projects at the same stage allowed to proceed
August 2010: - 33 sample schools in 14 local authority areas received approval to proceed
October 2010: - £15.8 billion of capital funding was announced for education in England over 4 years in the CSR, of which £6 billion would be needed to carry out work on projects from BSF and Academies Programme
January 2011: - A successful High Court challenge means that the Government is now forced to go into consultation with six councils regarding cancelled BSF projects worth £1 billion.

Primary Capital Programme

The Primary Capital Programme got underway in 2007, but really commenced in earnest in April 2009.

Its objective was to renew at least half of all English primary schools by 2020. The Primary Capital Programme was to be worth £7 billion, with government funding of £1.6 billion, up to 2011

Projects funded under the Programme are procured either through an existing LEP or through the local authorityôs own framework. If there is no framework in place, projects can be procured through on a traditional project by project basis.

By August 2010, 65 new builds and 128 extensions/ refurbishments had been completed under the programme. However, the Primary Capital Programme has now also been halted, until the results of the ñSebastian James Review of Capital Spending in Schoolsò are finalised.

Academies Programme

PfS took over responsibility for implementing the Academies Programme in 2007. New Academy buildings can be delivered in two different ways: One-off procurements, whereby Academies (either singly or in groups) were in need of new buildings outside the timetable of the local BSF programme, or through the existing BSF arrangements in areas where a LEP is already is in place.

PfS has recently approved Academy projects worth £800 million, which had been stalled since last summer. The projects will be released evenly over the next 4 years, with an anticipated £200 million delivered in the incoming financial year.

Many schools have postponed maintenance work and upgrades for up to the last 5 years, as plans were being drawn up for new schools. Many have had their BSF plans cancelled, but still urgently require maintenance work and additional space to meet growing pupil numbers. After an initial strong surge of maintenance work after the cancellation of BSF last year, contractors are now expecting that some schools will be unable to wait for the governmentôs new recommendations to be published and that there will have to be the go-ahead given for some urgent refurbishment work to be carried out.

4.3.3 Scotland

In Scotland, the main investment programme is the ñ**Scotland Building Schools for the Future Programme**ò - a £1.25 billion programme to deliver 55 new schools. In total, the Scottish Government will contribute £800mn of the programme fund ï funding construction of secondary schools on a 67/33 basis with local authorities, while primary school projects are funded on a 50/50 basis, on like for like facilities.

The Scottish Futures Trust (SFT) was set up to improve the efficiency and effectiveness of infrastructure investment in Scotland and will co-ordinate, facilitate and manage delivery of the new school building programme and a number of other areas. The Scottish government has allocated only £20 million capital funding to the Scotland Building Schools for the Future Programme, so the Scottish Futures Trust role is critical to investment in education in Scotland.

However, some local authorities will continue to use their own frameworks to deliver school building projects, where they can finance these out of available capital budgets.

The Government has just announced support for the first 35 school projects (14 secondary; 20 primary & one special) from the new Scottish school building programme

Work on the first school funded through the Scottish BSF programme got underway in September 2010 in West Lothian.

4.3.4 Wales

In Wales, the main investment programme for the education sector is the "**21st Century Schools Building Programme**".

This programme is to upgrade and extend the stock of schools in Wales from pre-school through to secondary. The programme's scope ranges from sustainability projects to ICT projects, as well as major refurbishment and new build projects. All projects will be specified to meet the minimum schools standards published in a document called 21st Century Schools Standard.

Funding awards will be prioritised according to demonstrable innovation in a project, including innovation in construction. Examples given of innovation in construction are off-site construction techniques and sustainable construction of schools that deliver a low carbon environment. Projects demonstrating innovation in design will also be prioritised. Examples provided include provision of flexible learning spaces, increased community usage of the school building. Priority will also be given to projects demonstrating inter-authority collaboration in the area of design, procurement etc.

Funding is expected to be delivered in bands of 5, with each band covering a 3-year period. The first band will take place between 2012 and 2015.

Each of the 22 local authorities in Wales have been asked to submit an outline programme indicating how they feel that their schools could be benefit from investment over the next 10 year period.

4.4 Summary and Conclusions

4.4.1 In England, the capital budget for education has been hit much harder than the healthcare budget, although it will still be higher than the healthcare budget in 2011/12.

Education Capital Budget – England	**Baseline 2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
£ billion	7.6	4.9	4.2	3.3	3.4
Health Capital Budget – England	**Baseline 2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
£ billion	5.1	4.4	4.4	4.4	4.6

4.4.2 Until the "Sebastian James Review of Capital Spending in Schools" is published there are still many unknowns about the future for education construction projects.

Initially due to be published in December 2010, the review is still not complete, much to the frustration of the industry. It is now expected to go through a further phase of consultation and may not be published until Summer 2011.

However, it is widely believed within the industry that the Review will recommend a complete overhaul to the school building process, based on the Coalition government's view that BSF was too costly and inefficient and that new schools in the UK cost significantly more than in other countries.

Although the recommendations of the Review have not yet been finalised, and further consultations are to take place, there have been a number of unverified indications in the specialist media and from the Education Secretary about what they may contain. It has been suggested that:

- The Review will suggest an alternative to the BSF model, but the scope will include all early years, schools and colleges.
- Its recommendations are expected to include a reduction in the cost of building an average-size secondary school from £20m to £15m, and a reduction in the cost of a small primary school from £3.3m to £2.3m.
- It could be recommended that new primary and secondary schools should be up to 15% smaller, as the Review team is looking at reviewing the minimum space standards in school design. A typical secondary school would be reduced from 10,000m2 to 8,500m2. Based on a cost of roughly £1,600 per m2, this would mean a saving of about £2.4m per school.
- Architects may not have a role in the development of new schools, as schools will tend to be based upon mass produced, standardised designs.
- Heads and governing bodies will be asked to choose from a small number of pre-approved templates which will include structural options and internal fittings and fixtures.
- It is very likely that there will be a growing emphasis on off-site manufacture, reducing construction timescales from 18 months to less than 6 months.

When completed, the recommendations of the ñSebastian James Review of Capital Spending in Schoolsò are likely to significantly re-shape schools investment for many years to come in England. If lower costs can be achieved through new delivery models, then it is very likely that Scotland and Wales will follow suit.

5. EDUCATION - PROCUREMENT CHANNELS AND KEY FRAMEWORKS

5.1 Introduction

5.1.1 Having recently been such a buoyant sector for construction, with the promise of substantial further investment to come, the decision to undertake a review of capital building has now significantly slowed down activity in the education sector.

Construction was particularly severely hit in the latter half of 2010, with the impact of halted BSF projects. The drop in the number of education projects which received detailed planning approvals from October 2010 ï December 2010, compared with the same period in the previous year, provides an indication of how the sector has been affected on a regional basis.

Region	Value of Education Planning Approvals £million	% Change by Region (Oct – Dec 2010 vs 2009)
Northern Ireland	2	-71%
Scotland	48	-77%
Wales	51	-30
England:		
East Midlands	66	+41%
North West	142	-12%
East of England	100	-48%
South West	22	-86%
London	142	-56%
West Midlands	188	+19%
North East	16	-51%
South East	176	-41%
Yorkshire and Humberside	189	-51%

Source: Construction News

As a positive, the level of work which is still in the pipeline in GB remains substantial, particularly when compared with the situation in Northern Ireland.

5.2 Key Education Frameworks

5.2.1 The key national frameworks and procurement channels for the education sector are:

Key National Frameworks and Channels for Education Sector in GB	
England	Partnership for Schools National Contractors Framework Building Schools for the Future
Scotland	Projects will be delivered via regional Hubcos set up by Scottish Futures Trust
Wales	21st Century Schools Framework

In addition to these national frameworks, universities operate their own frameworks. Sunderland University has just advertised (January 2011) for a new £30 million capital framework for ongoing projects until 2014.

5.2.2 Partnership for Schools National Contractors Framework

This framework is sometimes mistakenly called the Academies framework. Whilst it was developed as a vehicle for procurement in relation to the construction of Academies, it has a much wider remit and includes reference to education facilities for ages 0-19yrs. Therefore this framework should be viewed as the ***government's main delivery agent for capital investment programmes into schools***.

The Partnership for Schools National Contractors framework for England was established in 2009, with contractors appointed on a regional basis. It can be used for the design and build of:

- single school projects;
- grouped school projects to be procured all at once ('bundled schemes'), and
- grouped school projects to be procured in more than one phase ('batched schemes').

The Contractors' Framework is the successor to the PfS National Framework, which was launched in January 2007 and is currently delivering approximately £1.5bn of projects. It was anticipated in 2009 that the total upper value of the framework would be £4 billion.

The contractors appointed to the national Contractors Framework are:

North and Midlands	London, South and East
Balfour Beatty	Apollo Property Services
Bam Construction	Balfour Beatty
Bovis Lend Lease	Bam Construction
Carillion	Bovis Lend Lease
Clugston Construction	Carillion
Interserve Projects Services	Interserve Projects Services
Kier Regional	JB Leadbitter & Co
Shepherd Construction	Kier Regional
Sir Robert McAlpine	Rydon Group
VINCI Construction	Sir Robert McAlpine
Wates	Wates
Wilmott Dixon	Wimott Dixon

Source: Partnership for Schools

These contractors include 5 medium sized firms which do not have national coverage.

In September 2010, £70 million of contracts were published under the framework. Willmott Dixon was emerging as a very strong player in Academies sector, having won £140 million of secured projects, as none of its academy projects had been put on hold.

In February 2011 Partnerships for Schools has approved £800m of academy jobs that have been on hold since last summer. Sources say that these jobs will be released evenly through the four years of the forthcoming spending review period. This would mean roughly 20 jobs at an average of £10m each going through the framework in 2011/12. This now enables the 75 academies projects put on hold last year to go ahead.

The funding represents a cut of about £1bn from the total originally promised to the projects, but will end months of uncertainty over them. The money will come from the capital funding settlement for education announced in the Comprehensive Spending Review in October.

Groups setting up free schools are being directed by government advisers to use the framework unless they can show that using another method, such as existing local authority frameworks, is more efficient.

5.2.3 Building Schools for the Future

The procurement process for BSF was changed in 2007 to make the process of appointing contractors quicker. Each local authority area now appoints a single private sector contractor to carry out all their BSF projects, beginning with one or two sample or pathfinder projects.

Local Education Partnerships in each local authority had appointed preferred bidders to undertake their school construction projects under BSF. The following projects were given the go-ahead in August 2010, after a review by Michael Gove. In most cases, this means that these preferred bidders will actually build only two or three projects out of perhaps 16 that they had originally been appointed to build.

BSF Schools Approved in August 2010	
Balfour Beatty	- Derby, £230m BSF. Three of 14 schools cleared for building. Work to start in November on Derby Moor, Noel-Baker, St Martinôs schools.
	- Ealing, £300m BSF. Two of 16 schools approved. West London Academy, Cardinal Wiseman Catholic School, Dormers Wells High School.
	- Hartlepool, £104m BSF. Two of six schools through. Work due to start in September on Dyke House Sports and Technology College and St Hilds School.
	- Oldham, £230m BSF. Two of 11 schools cleared for building. New RC School, North Cadderton School.
Bam	- Camden, £250m BSF. Three of 16 school jobs approved. These are UCL Academy, South Camden Community, Swiss Cottage Special school.
	- Somerset, £600m BSF. Three of six in the initial phase. These are Chilton Trinity, Elmwood, Robert Blake School.
Interserve	- St Helens £150m BSF. Two of nine schools cleared. Works starts this autumn on De La Salle School and Rainford High Technology College.
May Gurney	- Lambeth, £185m BSF. Three of eight schools pass through review. Dunraven, Lilian Bayliss, Norwood school
Laing O'Rourke	- Barking and Dagenham £270m BSF. Two of nine promised schools passed. Work to start in February on Dagenham Park and Sydney Russell
Eric Wright	- Blackpool, £180m BSF. Three of eight promised schools funded. First work to

	start this year on Highfield Humanities College, Mountford Centre and St Maryꞌs Catholic College

Source: Construction News

A successful challenge in the High Court by six local authorities against the Governments decisions to scrap BSF projects which had not reached financial close by January 2010, could lead to further BSF projects being approved. The following table shows which contractors could benefit, should the government have to reverse its original decision. If that happens, a number of the following schemes, worth a combined £1 billion could go ahead.

BSF Schemes up for Consultation		
Council	**Value of combined schemes**	**BSF Contractor**
London Borough of Waltham Forest	£258 million	Bougues
Kent County Council	£255 million	Kier
London Borough of Newham	£230 million	Laing OꞌRourke
Sandwell Metropolitan Borough	£128 million	Interserve
Nottingham City Council	£96 million	Carillion
Luton Borough Council	£48 million	Wates

Source: Construction News

5.2.4 Scotland

The Scotland Building Schools for the Future Programme will largely be managed by Scottish Futures Trust and delivered through the Scottish Assembly Governmentꞌs Non-Profit Distributing model of PPP, which caps private sector profits. These projects will be funded through revenue, rather than capital budgets.

SFT will be responsible for managing a wide range of infrastructure projects, not just in education. It is organised into five regional hubs: South East, North, East Central, West and South West. South East and North were established as pilot hubs and they have already completed procurement.

The procurement route for projects built under Scotland Building Schools for the Future Programme is via the preferred bidders appointed under each of the five regional Hubcos.

Scottish Futures Trust Hubcos
South East: A Galliford Try led consortium has been chosen as the private sector delivery partner for this hub. The value of work to be undertaken is estimated to be worth £300 million over 10 years. The first project, a library and community centre facility, got underway at the end of 2010. Participants already committed to work within the South East Territory include the City of Edinburgh, West Lothian, East Lothian, Midlothian, and Scottish Borders councils as well as NHS Lothian, NHS Borders, Lothian and Borders Police Board, and Lothian and Borders Fire & Rescue Service Board. Projects to come include the £9m Firrhill Health and Social Care Centre, the £4 million Gullane surgery and day care centre, the North-west Edinburgh Partnership Centre worth £35m, the £10m Wester Hailes Healthy Living Centre and the £6m Blackburn Partnership Centre.

North:
Hub North, which includes an estimated £435m worth of work over the next 10 years, has selected Alba Community Partnerships, made up of a consortium of Miller and Cyril Sweett as its preferred bidder.

Hub North region covers Aberdeen City, Aberdeenshire, Argyll & Bute, Eilean Siar, Highland Moray, Orkney Islands and Shetland Islands Councils. Joining those authorities in partnership are Grampian Fire and Rescue Service, Grampian Police, Highlands and Islands Fire and Rescue Service, NHS Grampian, NHS Highland, NHS Orkney, NHS Shetland, NHS Western Isles, Northern Constabulary and the Scottish Ambulance Service.

Hub Northôs initial projects are focused on health rather than education and include:

- Aberdeen Health Village (£21 million)
- Ardseileach Core and Cluster Resettlement (£3 million);
- Tain Replacement Health Centre (£6 million); and
- Woodside Medical Group (£6 million)

East Central:
Hub East Central operates for the benefit of the local authorities in Angus, Clackmannanshire, Dundee, Falkirk, Fife, Perth & Kinross and Stirling Councils. It too will be accessible for Fire & Rescue projects, NHS and Police projects.

Initial potential education projects in East Central hub include:

- Brechin High School
- Harris Academy, Dundee
- Bridge of Earn Health Centre

In February 2010 Hub North East shortlisted three bidders: Alba, a consortium from Cyril Sweett Group plc and Miller Corporate Holding Limited; Amber Blue, a consortium from Robertson Group (Holdings) Limited, International Public Partnerships Limited and Forth Holdings Limited; and Inspiredspaces from Carillion plc.

West:
Hub West region includes Glasgow City, East Renfrewshire, Renfrewshire, Inverclyde, West Dunbartonshire and East Dunbartonshire Councils.

The hub is currently at the stage of procuring a private sector PPP partner for all of its projects over the next 10 years. It is expected that 3-5 private sector firms will be invited to tender for the work, which will be worth £200 million over 10 years.

South West:
The Hub South West region includes North Lanarkshire, South Lanarkshire, Dumfries and Galloway, South Ayrshire, East Ayrshire and North Ayrshire Councils.

Hub South West is expected to go into procurement in May 2011.

Please note that these HubCos will also deliver healthcare projects

In addition, local authorities also will continue to operate their own frameworks, for example, North Lanarkshire Council has an operational framework for it Schools and Centres 21 School modernisation programme. The framework runs until 2012 and includes just 3 contractors - Grahams, Morgan Sindall and Balfour Beatty. However, the future of local authority frameworks is dependent upon the availability of a capital budget, unlike the model used via Scottish Futures Trust,

5.2.5 **21st Century Schools Framework** (Wales)

Contractors for the delivery of 21st Century Schools are being appointed on a regional basis.

Regional Frameworks for Wales 21st Century Schools Programme

North West

This is the first of three frameworks for the schools for the schools modernisation programme to be announced. The successful contractors on the 21st Century Schools framework for the North West region, worth £250 million over 4 years, were announced in January 2011.

The framework will last 36 months, with an option to extend for a further 12. As well as the school programme, the framework will provide for other council buildings not yet identified.There are only 6 contractors on the framework, all of them large national companies:

- Bam
- Carillion
- Laing OâRourke
- Willmott Dixon
- Kier
- Vinci

The total framework was divided into six lots and the appointed contractors for each lot are:

<table>
<tr><th>Council</th><th>£2-5 million lot</th><th>£5-12 million lot</th><th>£12-30 million lot</th><th>£30 -100 mn lot</th></tr>
<tr><td>Powys County Council</td><td>- Kier
- Willmott Dixon
- Carillion</td><td rowspan="3">- Kier
- Willmott Dixon
- Carillion</td><td rowspan="3">- Willmott Dixon
- Carillion
- Laing OâRourke</td><td rowspan="3">- Bam
- Carrillion
- Laing OâRourke</td></tr>
<tr><td>Crdedigion County Council</td><td>- Willmott Dixon
- Carillion
- Vinci</td></tr>
<tr><td>Gwynedd County Council</td><td>- Kier
- Carillion
- Vinci</td></tr>
</table>

South East Wales:
Bids are currently being assessed for the South East Wales framework, but results are not yet published. The bids for the £400 million framework are being assessed by the Rhondda the Cynon Taf County Borough Council Procurement Unit.

The South East Wales Schools and Public Buildings Contractor Framework (SEWSCAP) has been divided into five lots based on contract size.

South West:
Carmarthenshire County Council is handling the south west region framework on behalf of its local authority partners, Neath Port Talbot County Borough Council, City and County of Swansea and Pembrokeshire County Council. The councils intend to call-off individual school building and refurbishment jobs from the framework.

Framework lots:

Lot 1: covering the whole region on project valued at £12m-plus ï **3 contractors**

Lot 2: covering Neath Port Talbot County Borough Council and City and County of Swansea. Project value £3.5m-£12m – **6 contractors**
Lot 3: covering Carmarthenshire and Pembrokeshire. Project value £3.5m-£12m – **6 contractors**

5.3 Leading Contractors in Education

5.3.1 The top 10 UK education sector contractors in 2010 won 412 projects worth a combined value of £10,625 million:

Contractor	Number of Projects Education projects in 2010	Value of Project in 2010 £m
Morgan Sindall Group	58	1,566
Kier Group	85	1,424
Bovis Lend Lease	11	1,217
Carillion	47	1,215
Laing O'Rourke	15	1,171
Balfour Beatty	62	1,105
Wates Group	30	1,105
Willmott Dixon	69	626
Bam Construction UK	19	604
Skanska UK Plc	16	592

Source: Construction News

5.3.2 The majority of the major education projects in 2010 were in England, with the exception of 2 large projects in Scotland. The table below shows the top 10 clients in education in 2010, based upon value of construction projects:

Client	Education Projects in 2010	Value £m
Manchester City Council	12	955
Wolverhampton City Council	28	749
Kingston Upon Hull City Council	14	641
Essex County Council	21	600
Renfrewshire Metropolitan Borough Council	2	384
Rochdale Metropolitan Borough Council	15	322
Bolton Metropolitan Borough Council	6	294
Blackburn with Darwen Borough Council	7	245
Stoke on Trent City Council	5	211
Derbyshire County Council	7	184

Source: Construction News

5.4 Conclusion

With a number of frameworks only recently in place, such as the North West 21st Century Schools in Wales and the PfS National Contractor's framework, the procurement routes are now established for some key education infrastructure investment programmes. Suppliers are now aware of the Tier 1 contractors which have been appointed to deliver education programmes in these regions.

The situation in Scotland is still emerging, as only 2 of the 5 Scottish Trust Hubcos have now completed the procurement process. However, this process should be complete for all five areas by the end of the Summer 2011.

The completed picture for Wales should also be available very soon, as the South East and South West regions are in the final stages of assessing bids for the final two out of three regional frameworks for 21st Century Schools.

Should any of the cancelled BSF projects proceed in the 6 local authority areas which challenged the government in the High Court, then their preferred bidders are also already established. (See 5.2.3)

Although the Sebastian James Review of Capital Spending in Schools is expected to significantly alter how schools are built in the future and the cost of building schools, its recommendations are unlikely to impact upon the frameworks already in place. If the stalled schemes are given approval to proceed, then preferred bidders are already in place in each of the LEP areas.

The PfS National contractorøs framework has been designed to incorporate all types of school building from primary school to college, so it is likely to become the main vehicle for school construction procurement and is already delivering any of the recently approved academy schemes.

6. CONTRACTOR PROCUREMENT IN HEALTH AND EDUCATION RELATED CONSTRUCTION PROJECTS

6.1 Contractor Feedback

6.1.1 Telephone interviews were undertaken with circa 20 leading contractors throughout GB. Respondents included those responsible for procurement both at head Office level and at regional office levels. The main areas of discussion with contractors were:

- Key projects they are working on currently and projects likely to start over next 6 months
- Successful framework awards in health and education
- Issues which are currently impacting upon projects in both the health and education sectors
- Procurement processes for health and education projects
- Assessment criteria for potential new suppliers
- Advice from contractors for Northern Ireland companies seeking to become part of the supply chain

6.1.2 Feedback on these issues was very similar for both health and education, so responses have been combined. The information below summarises the key responses from one or more buyers within the following companies:

Contractor Interviews	
- Balfour Beatty - Bam Construction - Clugston Construction - Dawn Construction - Interserve Scotland - Interserve - Kier Group	- Leadbitter - Morrison Construction - Robertson Construction - Rydon Construction - Sir Robert McAlpine - VINCI Construction - Wates Group - Willmott Dixon

6.2 Current Project Workload

6.2.1 Although a number of contractors are reporting a lull in their education workload, those which have been successful on the PfS Contractorôs framework are optimistic that workloads in this area will begin to increase. They do not anticipate a great deal of activity until after the recommendations of the ñSebastian James Review of Capital Spending in Schoolsò are published. Projects approved under BSF are still however coming through the pipeline, although to nowhere near the extent originally anticipated.

6.2.2 Current workloads within the health sector appear to be more buoyant, particularly for those in the ProCure21+ framework.

What does this mean for Northern Ireland companies?
- Despite the difficulties which the cuts in capital spend will present for the GB health and education sectors, the scale and volume of projects which are currently underway or are in the pipeline are still very significant, in comparison to the negligible opportunities which are available in Northern Ireland. - A number of frameworks are not dependent upon conventional government funding, but are based upon PPP models. The Scottish Assembly Government, in particular is viewing its NPD model delivered through Scottish Futures Trust, as a route for protecting capital investment in the health and education sectors. Therefore, despite the negative headlines about capital budget cuts, there are other vehicles for funding capital investment in schools and education.

6.3 Key Issues for Contractors in the Health and Education Sectors

6.3.1 Disruption to the Supply Chain

The majority of contractors reported that the number of small firms which have gone out of business has led to some disruption of their supply chain, although none would specify which particular sectors had been affected.

What does this mean for Northern Ireland companies?
- This feedback suggests that there are potential opportunities within the supply chain, purely as a result of closure of some existing suppliers. These suppliers will quickly be replaced, so there is a short potential window of opportunity. - A proactive approach by interested companies to the regional sales offices of the key contractors would identify whether potential gaps exist in the supply chain for their specific products / services. - Companies need to be prepared for even greater scrutiny of their financial position by Tier 1 contractors. They will be looking for evidence of a stable financial position and a robust in-house financial management system. Companies should be aware of their own credit rating. If the position is strong, then make contractors aware of this.

6.3.2 Shift in Focus from New Build to Refurbishment

All contractors reported that there is already a noticeable shift in emphasis away from new build projects towards refurbishment or fit-out and this is expected to continue over the next 4 years. A number of contractors reported that they have really been geared up over the last number of years to deliver new build solutions and that this shift in emphasis has highlighted gaps in expertise.

Refurbishment involving substantial structural change is more difficult to manage, particularly in a critical environment, such as hospital. It is also more difficult to predict in advance the types of problems that may arise during the course of the project.

Several contractors said that in light of the shift towards refurbishment, they have had to adjust their thinking and re-assess the specialist skills they would require.

One contractor reported that the emphasis on refurbishment is encouraging a shorter-term focus from clients. He felt that there is now less emphasis than there would have been 12 months ago on sustainability issues as the sector is looking at short term solutions in the face of budget cuts. Clients still want to know that they are meeting legislative requirements, particularly in relation to carbon emissions. But the focus is on doing the minimum necessary in order to be compliant, rather than delivering solutions with a longer return on investment.

What does this mean for Northern Ireland companies?

- Health and education projects in GB over the last 5 years have been dominated by new build and in some cases contractors appear still to be adjusting to the change required in skills and experience.

- This may present opportunities for Northern Ireland companies with a strong track record in refurbishment projects, particularly in projects which have a significant element of structural change. Contractors need to ensure that they have the necessary specialist skills in this area, so any approach should emphasise:

    - Specialist skills and expertise that the company has acquired in refurbishment
    - How the company applied its specialist experience in previous refurbishment projects
    - How obstacles and challenges were overcome
    - How the companyꞌs specialist skills and expertise is relevant to this Tier 1 contractor.

- Refurbishment projects have a lower overall value than new build and this may be an advantage to smaller companies who would be automatically excluded from larger projects, on the basis of lack of experience in projects over a certain value threshold or on the basis of the current turnover of that company.

- New build projects in both health and education have lengthy lead times and even after the contractor has been appointed, can experience lengthy delays. Refurbishment projects tend to get underway within shorter lead times.

6.3.3 Off-Site Manufacture

Most contractors are still using traditional build methods, although this may change in future, particularly when the new recommendations for building schools are published.

One contractor commented that clients in the health sector can be resistant to modular buildings and to the concept of standardisation. For example, he has received complaints about vibrations between floors on a two-storey building, but is now working with a pre-fabricator who claims to have solved this problem.

What does this mean for Northern Ireland companies?

- The ability to demonstrate specific knowledge about issues in both the education sector and the healthcare sector is key to breaking into the supply chain of these large contractors.

- Talking to end users in the sector, demonstrating awareness of the issues that they have with products and services and adapting products to suit will be critical in differentiating from other suppliers.

6.3.4 Local Supply Chain

Contactors undertaking work within the public sector must demonstrate to clients that they will maximise the use of the local supply chain. The definition of ñlocal supply chainò can be as limited as a 20 mile radius of the project.

Contractors are much more concerned about using local labour in the installation elements of projects, whereas there is less sensitivity about supply-only elements of a project. Even here, though, contractors are under pressure to reduce the carbon footprint. The supply only elements are quite a small proportion of the overall budget on a project. Supply only elements for example, may include door-sets, plumbing systems etc.

Without exception, all contractors we spoke to felt that this requirement would place Northern Ireland companies at a distinct disadvantage in the marketplace in GB.

Some contractors felt that Northern Ireland companies should focus on the regions closest to Northern Ireland, in order to be considered for supply and fit work e.g. Scotland and the North West. Others felt that even in these areas, Northern Ireland companies would find it difficult to compete for supply and fit work.

Contractors reported that the ñlocal issueò regarding supply and fit can be overcome either by presenting:

(i) A better value for money solution; or

(ii) A product / service which is more innovative / has clear advantages over a product or service already being used.

What does this mean for Northern Ireland companies?

- Northern Ireland companies need to consider a regional approach to getting supply and fit work in GB, using local labour from that area. This will involve building local relationships with installers in a region and using the companies own project management team to supervise on-site installations.

- Northern Ireland companies need to consider how they could use local apprentices on installation jobs, so that they can demonstrate that they are involved in training local people and developing construction skills in the local area.

- Companies need to focus on how they can develop the off-site manufactured element of their product, so that installation time on-site is reduced and the need for local labour reduced.

- Taking time to really develop the sales message is essential. Only by giving the buyers a reason to decide that the product or service is better than what is already on offer, can the ñlocalismò issue be overcome.

- Northern Ireland companies have experienced the most severe downturn in construction of any region in the UK, so prices have already been pared back. Anecdotal evidence from some NI suppliers suggest that they can price against competitors in GB, particularly in London and the South East and still obtain better rates than in Northern Ireland. Latest reports suggest that London tender prices bottomed out in the 3rd quarter of 2010 and are on the rise again. Therefore, despite rising materials costs, do not assume that it is not possible to compete in other regions on a value for money basis.

6.4 The Procurement Process

6.4.1 Procurement processes are very similar from one contractor to another and, as mentioned earlier, respondents were surprisingly open to approaches by potential new suppliers, given the overall economic climate.

6.4.2 Buying Structure

National contractors operate a Head Office and a series of regional offices. Head office procurement teams look after the design elements of procurement and the large structural elements which are commonly used across many projects. M& E packages and frames are examples of products and services which tend to be procured at head office level. Head Office is also involved in purchasing ñcommoditiesò for projects, in other words standard materials which are used repeatedly across numerous projects and which are purchased on a supply only basis. These might include products like timber, ironmongery, plant hire etc.

M&E procurement within the healthcare sector is slightly more complex because of its vital role in hospitals, so suppliers need to be registered by the main contractor with the DoH. This may also be required for HVAC suppliers, depending upon the nature of the package. Contractors will generally prefer a national provider for this type of service and will require a lengthy track record of experience.

The Head Office team will also hold a database of all ñapprovedò suppliers i.e. those suppliers who have successfully completed Pre Qualifying Questionnaires (PQQs) and then been approved for use. This ñapprovedò status then often needs to be revised after three years. The database is available to all regional offices, although regional offices may recommend other suppliers which they wish to use.

Generally the regional offices operate as business units and have a large degree of autonomy in managing procurement within their own region. The regional office is particularly influential in appointing and managing the supply and fit element of procurement. These regional buyers will need to be convinced about why they should use a supplier from Northern Ireland, rather than a local company within the catchment area of the construction project.

The media has also recently reported that several large construction contractors, including Balfour Beatty and Skanska have now closed their supply chains to new suppliers or reduced their supply chains. These reports were not confirmed during telephone discussions; all contractors, apart from Miller Construction, reported that they continue to be open to approaches from potential new suppliers, as long as they are offering an improved product or service, or a more competitive price. Where reductions in the supply chain have occurred, this has tended to be in head office procurement of the category they refer to as ñcommoditiesò, so should not be a major deterrent to companies from Northern Ireland.[1]

does this mean for Northern Ireland companies?
- Establish where your product or service fits into the supply chain. - If you are offering supply and fit, then each regional office within the contractor organisation can be approached separately as they make decisions at a local level.

6.4.3 Timing the Approach

Buyers made it clear that they are constantly approached by potential new suppliers but will f*ollow up on very few enquiries*. They tend to take more notice if:

- Approaches are made with a relevant product / service just before the supply chain is being determined for a new project.

- The information provided relates specifically to a new project and shows how the companyôs product / service is relevant to that project.

They stress that they are extremely busy people. In order to have been placed on a framework or have won a large, new contract these companies have already had to demonstrate that they have a fully integrated supply chain in place. There are few gaps in the supply chain, so only those approaches which offer something better or a more specialised solution in healthcare or education are likely to be worth considering.

A number of buyers commented that in addition to presenting the right product, at the right time, persistence can eventually pay off!

If the contractor considers that there could be value in working with the company, the next step is to complete a Pre Qualifying Questionnaire (PQQ).

What does this mean for Northern Ireland companies?

[1] Newspaper coverage in Nov 10 - Carillion is reducing its supplier base by up to 80 per cent, it confirmed this morning. The contractor said it had embarked on a process to slash the number of suppliers on its system from 25,000 to about 5,000.Sub-contractors are being rated on a range of factors including price, health and safety, reliability and ethics. Successful firms are being notified that they will be eligible for increased workloads, while unsuccessful firms are being told there will be no work for them in the foreseeable future.

- A very generic approach to these buyers is unlikely to be noticed. Buyers want to hear from potential new suppliers when they are organising the suppliers for a new project. At that point they will be more open to considering information which is specifically tailored to that project than hearing about the companyǿs complete range of products and services.

- Every approach needs to relate to the particular need of the buyer at that time.

- This means that prospective suppliers need to monitor the specialist media (e.g. Construction News, Glenigans etc) for notice of awards to key contractors in health and education. Then they can make timely approaches, with tailored sales messages.

- In order to attract the attention of buyers, the sales message must focus on how the solution will support that particular contract.

- Even then, the company still needs to be successful in the PQQ process. If the company does not have good experience of completing PQQs, it is important to get training to ensure that the information is presented in best light possible in order to maximise scores in each section. With an increasing focus on wider social issues, such as diversity and equality, it is important to get guidance on what the buyer expects.

- If the company is targeting projects which are at the upper end of its current level of experience and track record, then further training in PQQs can help to make the difference. Even an unsuccessful PQQ presents an opportunity to learn, so ensure that every application is followed up for feedback, as this feedback could make a difference next time round.

6.4.5 Contractors Favour Suppliers they have used previously

It was very clear from discussions with contractors that they tend to use the same suppliers over and over again. They also refer good suppliers to buyers in other sectors within the company or to other regional offices. Once a good relationship has been established and a track record in carrying out good work is demonstrable, suppliers should be able to benefit from repeat work.

What does this mean for Northern Ireland companies?
- Breaking into the supply chain of a large contractor will not be easy, because of the strength of established relationships. This reinforces again the need to seek feedback if the company has not been successful at tender or PQQ stage. - However, once the first success has been achieved, ongoing levels of repeat work seem likely and there is potential for referrals to buyers in other regions and sectors.

6.4.6 What is the best way to make an approach to contractors?

Buyers do not respond well to receiving large packs of generic company literature in the post. They were very frank in saying that they simply do not have time to look through this information and decide whether or not it is relevant. Most approaches of this kind will end up in the bin.

All buyers consulted said that they preferred an approach by email. They advised prospective suppliers to monitor their website and check out the new work they have won and then make an email approach suggesting an offering relevant to that project. The email should include the supplierõs website.

When asked specifically what advice they would offer to potential new suppliers from Northern Ireland, contractors almost inevitably again raised the local supply issue. They suggested that companies providing materials only would stand a better chance of being considered, since local supply is less of an issue.

Otherwise, companies need to be aware that they face an immediate obstacle and they need to have strategies in place to deal with the issue. This might be through working with local installations teams or on the basis of innovation or price. However, any company preparing to approach contractors about work in either the health or education sector needs to have addressed how they can overcome the problem.

The following comment from the Kier Group echoes the responses of a number of contractors:

ñWe are always prepared to look at companies with demonstrable innovations. We always have gaps in our supply chain if someone can offer something better or cheaper.ò

What does this mean for Northern Ireland companies?

- Glossy company brochures are not the best marketing tools to make the initial approach to buyers.
- They are interested in what you can do to make a difference on a specific project.
- Concentrate on developing tailored messages about the solutions you can offer; back up these messages with evidence about your claims e.g. case studies of similar projects which demonstrate the companyõs in-house expertise, references from similar projects, accreditation information. Develop pdf brochures which illustrate specific products and services being used in either the healthcare or the education sectors. Ensure that your website categorises these sectors and that relevant information is easy to find.

6.5 Summary and Conclusions

Getting involved in healthcare and education construction projects in GB will inevitably mean having to break into the already established supply chains of some of the largest contracting companies in GB. The challenges are significant; but the current economic climate presents opportunities as well as threats, since the SME supply chain of these large contractors has been reduced as other suppliers have gone out of business. However, this will ensure that remaining and prospective suppliers find their financial position under additional scrutiny.

Whilst contractors appear open to considering new suppliers, a tailored approach, which is specifically relevant to a forthcoming project, is critical. Contractors are inundated with approaches from potential new suppliers and only those which can offer *demonstrable* additional benefits or additional value will be considered. It will not be enough to make claims and statements about the companyǫs capabilities, without having evidence to support the claims.

If contractors can buy the same product or service, for the same price, within the catchment area of the project, then previous experience and track record will count for very little. Suppliers need to assess in advance, before approaching a contractor, how they can support the contractorǫs need to be accountable for integrating ñlocalò labour into the supply chain, as this issue is at the forefront in health and education related public sector construction. Again, this issue can be overcome if the supplier can demonstrate that the company will be able to deliver additional benefits or expertise.

APPENDIX I

CONTRACTOR SNAPSHOT PROFILES

Balfour Beatty	
General Frameworks	- Numerous local authority and housing association frameworks
Health Frameworks	- NHS Procure 21+
Health Track Record	Balfour Beatty won the 3rd largest share of contracts in the UK healthcare sector in 2010. It won 9 projects worth a combined £4,105 million Procure 21+ contracts: £11 million Great Ormond Street Hospital Currently shortlisted for Papworth Hospital NHS Foundation Trust £150 million Shortlisted for Liverpool University Hospital £400 million
Education frameworks	- PfS National Contractorҫs framework
Education track record	The company won 62 education related projects in 2010 worth a combined £1,105 million. The company was the 6th largest contractor in education in 2010 BSF Projects: - Balfour Beatty is construction partner in a number of BSF schemes in England - Balfour Beatty has just been appointed to develop a £15 million sample school in Poole- Ashdown Technology College. - Dec 10 - Derby City School £55 million PPP projects: - Balfour Beatty has 14 PPP concessions in the UK education sector: Hertfordshire, Oldham, Ealing, Derby City, Blackburn with Darwen and Bolton, Newcastle, Southwark, Islington, Knowsley, Stoke, Bassetlaw, Rotherham, Birmingham and North Lanarkshire. - The £80 million Hertfordshire Schools PPP scheme involves the design, construction and provision of facilities management for two mainstream secondary schools and a special educational needs school. Balfour Beatty will invest equity of £4.5 million into the 25-year concession to build and maintain these two schools. The company will also be responsible for the design and build of the third school, as well as its maintenance for 10 years.
Total value of all contracts in 12 months to Dec 2010	- £2,805 million - Balfour Beatty is now the largest contractor in the UK ranked by turnover
Other Information	Other companies within the group include Mansell Construction
Contact	Balfour Beatty Construction has offices in Edinburgh, Sale, Bristol and London, as well as Balfour Beatty Refurbishment in London. - Balfour Beatty Construction Northern Cavendish House, Cross Street, Sale, M33 7BU, UK +44 (0)161 972 7500 - Balfour Beatty Construction Scottish and Southern Dean House, 24 Ravelston Terrace, Edinburgh EH4 3TP Contact: Vince Hanning, Head of Supply Chain +44 (0)131 332 941

Bam Construction UK	
General Frameworks	- Improvement and Efficiency South East (Collaborative local authority framework) - Construction framework South West £3 billion - Severn Trent Framework, - YORbuild framework - Various housing association frameworks
Health Frameworks	- NHS Procure 21+ - Frameworks Scotland - Designed for Life: Building for Wales
Health Track Record	Frameworks Scotland: £100 million Royal Infirmary Dumfries and Galloway
Education frameworks	- 21st Century Schools, Wales
Education track record	Bam Construct UK won 19 education related projects in GB in 2010 worth a combined £604 million. BAM was the 9th largest contractor in education related construction in 2010. Bam has delivered 33 completed secondary schools under PFi/ BSf since 2000. It is the preferred BSF contractor for Somerset £600 million schools programme, Borough of Camden BSF £75 million
Total value of all contracts in 12 months to Dec 2010	- £1,811 million
Other Information	One of 3UK contractors to be successful in all 3 national health frameworks in GB Ranked in the Sunday Times Best Green Companies
Address	(Head office) Breakspear Park Breakspear Way Hemel Hempstead Hertfordshire HP2 4FL 12 offices throughout England, Scotland and Wales
Contact	- David MacKenzie, Business Development Manager in Scotland T: 0141 779 8728 - David Linguard, Business Development Manager North East T: 0113 290 8800

Bovis Lend Lease	
General Frameworks	- YorBuild Yorkshire & Humberside Local authority collaborative framework
Health Frameworks	- ProCure 21+
Health Track Record	Bovis has recently won Spainôs first PFI healthcare contract to build and manage a hospital in Spain.
Education frameworks	- PfS National Contractorôs Framework
Education track record	Bovis was the 3rd largest contractor in education in 2010. Bovis won 11 projects with a combined value of £1,217 million Bovis Lend Lease was set to undertake over £800 million of BSF projects which have now been scrapped. It was the preferred bidder for the Birmingham LEP, working with Birmingham City Council, which is the largest local authority in Europe.
Total value of all contracts in 12 months to Dec 2010	- 14th largest construction company in the UK by turnover
Other Information	Bovis Lend Leaseôs recent contract successes have not been in health and education, although with a presence on both ProCure 21+ and the National Contractorôs framework, it is likely to be a significant player in the short term. Bovis lend Lease has recently launched a £220 million UK Infrastructure Fund for healthcare, education nad accommodation projects in the UK. It has won a large contract with Defence Estates for soldierôs homes and another £150 million mixed use scheme in Regentôs Place Estate. Bovis Lend Lease uses the Achilles supplier pre-qualification and accreditation service.
Address	Head Office 142 Northolt Road, Harrow Middlesex HA2 OE
Contact	Nigel McKay, Head of Procurement

Leadbitter	
General Frameworks	- Strong player in affordable housing market
Health Frameworks	- N/A
Health Track Record	- N/A
Education frameworks	- N/A
Education track record	Project Awards: - Feb 11 - University of Brighton £13 million Halls of Residence - Feb 11 ï Refurbishment of Care Home in Winchester £5 million - April 10 - Bournemouth University Student accommodation £7 million - Dec 10 ï Dennes ï a subsidiary of Leadbitter ï won a £15 million sports facility contract at the University of East London
Total value of all contracts in 12 months to Dec 2010	N/A
Other Information	Leadbitter has recently been bought over from its Netherlands owner Heijmans by Bougues. Leadbitter Group includes Dennes Construction
Address	Leadbitter operates in the South and South East of England through a network of 8 offices. Head Office: Grange Court Abingdon Science Park Abingdon Oxfordshire OX14 3NB Tel: 01235 544500
Contact	- Jim Cooper, Regional Buyer, Central Construction (Coventry) 02476 304884

Morgan Sindall	
General Frameworks	- Yorbuild Regional Framework
Health Frameworks	- Oxfordshire NHS Mental Health Trust
Health Track Record	Company has just been awarded a £26 million contract to build the Neuroscience Institute at Kingõs College London
Education Frameworks	- Liverpool BSF - Harris Federation of Schools* - University of Reading - Scotlandõs Schools and Centres 21 programme
Education Track Record	Morgan Sindall was the UKõs largest education related contractor in 2010. The company won 58 education projects worth a combined value of £1,566 million. - Jan 11 won Chryston High School and Cultural Centre, Glasgow (£22 million) Morgan Sindallõs biggest single preferred bidder contract is on the Hull BSF Wave 2, comprising of 17 schools worth £400 million. Morgan Sindall was awarded 2 new education projects in January 2011: - University of Reading £28 million - North Lanarkshire Council as part of its £250m Schools and Centres 21 programme Other projects: - Newham University College Entrance £8 million - Nov 10 Primary School under Primary Capital Programme £6 million Morgan Sindall is one of the UKõs largest providers of student accommodation Named *Best School Contractor* 2009 at the British Council for School Environments (BCSE) Industry Awards for outstanding construction work in primary schools
Total value of all contracts in 12 months to Dec 2010	- £1,099 million - 4^{th} largest contractor in the UK
Fit-Out arm	Overbury
Contact	Kent House, 14-17 Market Place, London W1W 8AJ 36 local offices Graham Edgell, Group Procurement Director Kathy Bagster, Business Development Manager, London Tom Davies, Operations Manager, Cardiff

*Group of 9 academies in London

Carillion	
General Frameworks	N/A
Health frameworks	N/A
Health track record	Southmead Hospital Redevelopment 2010 worth £450 million Shortlisted for Royal Liverpool Hospital £400 million
Education frameworks	- 21st Century Schools, Wales - PfS National Contractors framework - Renfrewshire Community Infrastructure Network 2010 -2014
Education track record	Carillion is the 4th largest contractor in education in the UK in 2010. The company won 47 projects worth a combined £1,215 million
Other	Carillion is the UKŝ second largest contractor in the UK, after Balfour Beatty The company has just acquired green energy firm Eaga.
Total value of all contracts to Dec 2019	N/A
Address	Head Office 24 Birch Street Wolverhampton West Midlands WV1 4H
Contact	Jadon Silva, Supply Chain Manager

Interserve	
General Frameworks	South West Construction Framework
Health Frameworks	- ProCure 21+ - Designed for Life: Building for Wales - Frameworks Scotland
Health Track Record	Interserve won the largest share of UK healthcare contracts in 2010. It won 23 projects worth a combined £4,116 million. 11% of turnover (2009) came from health projects Shortlisted for New Papworth PFI Hospital £150 million Shortlisted for Liverpool University Hospital £400 million Interserve currently working on/ recently appointed to the following Procure 21+ contracts: - £3 million Pilgrim Hospital, United Lincolnshire - £0.5 million refurbishment in Poole - £26 million hospital at Yardley Green Expression of interest in Alderhay Childrenœs Centre £288 million
Education Frameworks	PfS National Contractors Framework
Education Track Record	12% of turnover (2009) came from education sector BSF: - Oct 10- Leeds BSF Farnley Park High School £23 million. Work has started on site. - Oct 10 ï Nottingham BSF £11 million - Oct 10 Coventry City Council £8 million redevelopment of 4 schools - St Helenœs BSF on hold (£150 million) - May 10 Leeds West Academy, Leeds City Council £30 million Other projects: - £63 million St Helenœs School - Aston University Shortlisted for Student Village
Total value of all contracts to Dec 2010	- £470 million - 7th largest contractor in the UK
Address	Interserve Plc, Interserve House, Ruscombe Park, Twyford, Reading, Berkshire RG10 9JU Tel: 0118 932 0123 Fax:0118 932 0206
Contact Details	Guy Bruce, Procurement and Supply Chain Director Rob Maiden, Supply Chain Manager, Southampton Bill Smith, Procurement Manager Scotland

Kier Health & Kier Education	
General Frameworks	West Midlands Contractors frameworks (£180 million) procured by local authority on behalf of other public sector bodies in the region Kier has a strong track record in social housing
Health Frameworks	- NHS Procure 21+ - Health Framework for Scotland - Designed for Life (Wales)
Health Track Record	- Kier Group won the second largest share of UK health sector contracts in 2010 - It won 21 projects worth a combined £4,105 million. - Kier won the first 2 projects on the NHS Procure 21+ framework - Kier currently working on/ recently appointed to the following Procure 21+ contracts: £6.5 million Royal Bournemouth and Christchurch Hospitals £1.5 million Isle of Wight NHS Primary care £10 million refurbishment at Rotherham Hospital £3.5 million Brighton & Hove Trust
Education Frameworks	- Pfs National Contractorôs Framework - 21^{st} Century Schools, Wales
Education Track Record	- The Kier Group was the 2^{nd} largest contractor for education sector projects in the UK in 2010 - Kier won 85 education related projects in 2010 worth a combined value of £1,424 million - Kier is currently building £300 million worth of schools in Cambridge - Kier has a 10 school project in Kent under BSF worth £150 million ï one of the councils to bring the BSF challenge to the High Court
Total value of all contracts to Dec 2010	- £1,598 million
Other information	- 32 regional offices in the UK - Their projects tend to be smaller because of the Groupôs strong regional presence
Address	- Tempsford Hall Sandy Bedfordshire SG19 2BD **t:** 01767 640111 **f:** 01767 640002
Contact	- Neil Pates, Education Principal Director

Miller Group	
Website	www.miller.co.uk
General Frameworks	Scottish Futures Trust ï North Hub £300 million
Health Frameworks	ProCure 21+
Health Track Record	The company was the 7th largest contractor in healthcare projects in 2010. It won 3 projects worth a combined total of £4,006 million Recently completed projects include: - £84m Beatson Oncology Centre designed to cope with 8000 new patients per annum; - the Anne Ferguson building at Edinburgh's Western General Hospital; - Primary Care Centres for Barking, Havering and Leeds PCTs.
Education Frameworks	
Education Track Record	Preferred supplier for Orkney Island Councilôs £57 million schoolôs programme In Glasgow alone, Miller has built 29 schools Its Leicester Building Schools for the Future Scheme has been unaffected by cutbacks Recent Projects: - Oct 10 Miller Construction (UK) Ltd has been appointed as the main contractor for the new £30 million Science and Technology Centre at Staffordshire University,
Total Value of all contracts to Dec 2010	N/A Turnover £400 Million +
Other information	Millerôs core activity was traditionally in housing, but the construction division has now overtaken the housing division.
Offices	8 Regional offices in GB
Address	Miller House 2 Lochside View Edinburgh Park Edinburgh EH12 9DH t: 0870 336 5000 f: 0870 336 5273
Contact	Fiona Clarke, Supply Chain Manager, Glasgow Mark Wainer, Supply Chain Manager, Wakefield Tony Byers - Procurement Director for Education 0870 336 4560 (Guilford) Supply Chain currently sealed

Sir Robert McAlpine	
Website	www.sir-robert-mcalpine.com
General Frameworks	
Health Frameworks	- ProCure 21+
Health Track Record	Shortlisted for Papworth PFI hospital £150 million Current Projects: - Nov 10 Royal Oldham Hospital £32 million (ProCure 21+) -
Education Frameworks	PfS National Contractorõs Framework
Education Track Record	Shortlisted for Campsmount Technolgy College PfS National Framework with Wates Group
Total Value of all contracts to Dec 2010	n/a
Offices	Head Office, plus 10 regional office, including 2 in Scotland.
Address	Group Services Office Sir Robert M^{c}Alpine Ltd Eaton Court Maylands Avenue Hemel Hempstead Hertfordshire HP2 7TR **Tel:** 01442 233444 **Fax:** 01442 230024
Contact	Craig Lucas, Deputy Head of Procurement, Milton Keynes Lee Hawkins, Construction Project Manager Mark Williamson, Senior Project Manager

Laing O'Rourke	
Health Frameworks	
Health Track Record	Currently on the shortlist for the £150 million Papworth Hospital project Has expressed interest in Alderhay Childrenõs Health Park Project £288 million Current Projects: -Sep 10 Guys & St Thomasô Cancer Centre £90 million
Education Frameworks	- 21st Century Schools, Wales - Laing OøRourke was on the expired national academies framework running to early 2011 ï but has not got a place on its £4bn replacement, which began operation in December 2010.
Education Track Record	Laing OøRourke was the 5th largest contractor in education in the Uk in 2010. The company won 30 projects with a combined value of £1,105 million BSF: - Barking and Dagenham BSF £350 million ï on hold
Other information	Laing OøRourke is the UKøs largest privately owned construction company
Address	Head Office: Bridge Place Anchor Boulevard Admirals Park Crossways Dartford Kent DA2 6SN
Contacts:	David Gray, Senior Procurement Manager Kevin Grogan, Procurement Manager

Wates Group	
Health Frameworks	N/A
Health Track Record	Wates was the 10th largest contractor in health in 2010. It won 10 projects worth a combined value of £65 million.
Education Frameworks	- PfS National Contractorȏs Framework
Education Track Record	Wates was the 7th largest contractor in education projects in 2010. The company won 30 projects, with a combined value of £1,105 million Recent Projects: - Kingston University £!7 million Law and Business Faculty due for completion by Dec 11. - Shortlisted for Campsmount Technolgy College PfS National Framework with Sir Robert McAlpine £10 millio
Other Information	Wates Living Space is the Groupȏs affordable housing contractor
Address	Wates House Station Approach Leatherhead Surrey KT22 7SW Tel: 01372 861000 13 regional offices
Contact	Chris Parfey, Procurement Manager

Willmott Dixon	
Website	www.willmottdixongroup.co.uk
General Frameworks	- National Contractors Framework
Health Frameworks	- NHS Procure 21+ - Express LIFT
Health Track Record	Willmott Dixon won the fifth largest share of UK healthcare sector projects in 2010. The company won 9 projects worth £4,055 million It has built 1,500 care homes in last 10 years Recent Projects: - Have been involved in polyclinics under LIFT framework - Have been appointed by London Borough of Islington to build one of the UKôs first zero carbon schools at a cost of £13 million
Education frameworks	- PsF National Framework (Academies & Pathfinder) - 21st Century Schools, Wales
Education track record	8th largest UK contractor in education in GB in 2010. It won 69 education projects in 2010 at a total value of £626 million. The company has secured £500 million of Academies projects, including 3 academy schools in Oldham
Health Issues	- Experience of delivering extensions in a ñliveò environment
Education Issues	- Focus on low carbon
Other Information	- Wilmott Dixon Interiors is the companyôs specialist fit-out service - Policy is that up to 40% of a projectôs spend is distributed within 20 miles
Address	Head Office Spirella 2 Icknield Way, Letchworth Garden City
Contact	**Birmingham ,** Supply Chain Manager ï Simon Wilmott **Cardiff**, Supply Chain Manager ï Keith Traharne **Cobham,** Supply Chain Manager ï Neil Mant **Dartford,** Supply Chain Manager ï Andrew Danahay **Hitchin,** Supply Chain Manager ï Duncan Staddon **Manchester,** Supply Chain Manager ï Dave Pennoc

SOURCES OF INFORMATION

- AMA Market Research
- Glenigans Database
- Construction News
- Building Magazine
- Invest NI Business Information Centre
- Consultations with:

Contractor Interviews	
- Balfour Beatty - Bam Construction - Clugston Construction - Dawn Construction - Interserve Scotland - Interserve - Kier Group	- Leadbitter - Morrison Construction - Robertson - Rydon Construction - Sir Robert McAlpine - VINCI Construction - Wates Group - Willmott Dixon

ACRONYMS

BSF	Building Schools for the Future
CSR	Comprehensive Spending Review
GB	Great Britian
GP	General Practitioner
LEP	Local Education Partnership
LIFT	Local Improvement Finance Trust
NHS	National Health Service
NI	Northern Ireland
NPD	Non-Profit Distributing
OJEU	Official Journal of the European Union
PCT	Primary Care Trust
PfS	Partnership for Schools
PPP	Public Private Partnership
PQQ	Pre-Qualifying Questionnaire
PSCP	Principal Supply Chain Partner
SEWSCAP	South East Wales Schools and Public Buildings Contractor Framework
SFT	Scottish Futures Trust
SHA	Strategic Health Authority
SME	Small to medium-sized enterprise
UK	United Kingdom