Post Build Fit Out Guidance Notes

These notes are for use by Further Education (FE) colleges that are undertaking a capital build project as part of the Learning and Skills Council’s (LSC) ‘building colleges for the future’ programme. A record £2.3 billion will be invested in capital projects over the next three years¹, and this guidance will analyse the procurement routes available to colleges for furniture, fixtures and equipment (FFE) as part of a build project. The aim of the guidance is to assist colleges to get the best possible value for money (the optimum combination of whole-life costs and quality to meet the user requirement) from the procurement of FFE for a build project and also to comply with procurement regulations.

From the outset it is important that colleges are aware that this guidance will not provide a ‘one size fits all’ approach. Every college is operating in a slightly different context on a range of issues such as; finance, internal procurement capacity and capability, delivery timescales, location and learners. That said, many of the issues that this guidance will explore will be common to most FE college build projects. The Office of Government Commerce has published a series of guides containing key principles for the delivery of successful construction projects, Achieving Excellence.

These guides offer comprehensive detail on how to achieve the successful delivery of construction projects through project management, risk and value management, integrating the project team, procurement strategy, whole life-costing, performance measurement, design quality, health and safety aspects and sustainability. However, an area that is not specifically referred to in these guides is fit out. This guidance document therefore aims to address this gap and provide colleges with an overview of the options available for the procurement of FFE in a build project and evaluate the positive and negative aspects of the different approaches. It should be noted though that all colleges should already have a well defined procurement strategy in place that should apply to all purchases and that will provide the context for the decisions made with regards to post build fit out. This guidance is a working document so should you have any suggestions for additions or changes based on your own experience please contact the author pippa.ford@lsc.gov.uk or fecollegeprocurement@lsc.gov.uk.

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2 http://www.ogc.gov.uk/guidance_achieving_excellence_in_construction_4440.asp
The Overall View

Essentially there are two main options for the procurement of FFE for a build project. The college can decide to use an external party to lead the procurement activity or it can use resources from within the college to do the necessary procurement. The main determining factor as to which of these two approaches is suitable is the internal procurement capability and capacity within the college. It is important to make an accurate assessment of both the extent of the work that will be involved in FFE procurement and the internal procurement capability and capacity before proceeding. If the college lacks either capability and/or the capacity to lead on the necessary procurements for FFE then a decision needs to be made to either increase internal capability and capacity through recruitment or to appoint an external party to do this work. This guidance will now discuss in turn both internally and externally led FFE procurement approaches.

Internally Led Approach

If the capability and capacity already exists within a college to carry out the necessary procurement activity for the required FFE in a build project then it makes absolute sense to use these internal resources. Any externally led approach will bring extra costs to a project and if these costs can be avoided, while at the same time ensuring that the required FFE delivers value for money, then this is obviously positive.

An existing employee could be given a secondment onto the Post Build Fit Out project on either a part time or full time basis. Another possibility is to appoint a Procurement Manager on a fixed term basis to lead the procurement activity for the
required FFE and, for the purposes of this document, this would be an internally led approach. One important point to note is that both fixed term appointments and secondments need to be declared and agreed (approved in writing) with your LSC Regional Property Advisor prior to project spend in order for the costs to be considered an eligible project cost. Also, as part of the LSC conditions of capital grant letter, the college will be required to provide a signed copy of the contract of employment for this appointment.

In addition to cost savings, another benefit of the internally led approach is that it can assist in growing procurement capacity within the college. This is because any learning acquired during the project remains within the college after the project ends. It could be argued that an internally led approach has other significant benefits as well. An internal procurement lead may be better placed to liaise with key internal stakeholders who will have expertise that it is important to capture to determine the FFE needs of the college. Whether the procurement is internally or externally led it is certainly essential to the success of a project to involve key stakeholders. In particular areas, such as catering and hair and beauty, it may also be necessary to employ outside experts to help formulate specifications. When determining the FFE need it is a worthwhile exercise to consider whether any of the college’s current FFE could be moved to the new site for re-use. In addition, determining the need stage is an appropriate time to give consideration to ways of operating such as the colleges’ information strategy, print strategy and what the future teaching and learning methods will be. It is important to do this at this stage as it will have an impact on what FFE is required. For example, the college may decide to move from desktop printers and photocopiers to a multi-functional device solution. Another example is
prior to moving into a new build a college may take the opportunity to implement an
electronic document management system. This would ensure that less paper needs
to be moved and if there is reduced storage space on the new site it is not such an
issue.

The internal procurement approach should involve the use of consortia and other
contracting bodies' framework agreements and, where necessary, individual tenders
for goods and services. The general benefits of framework agreements are well
established and apply equally to a fit out procurement as to more routine
procurements. These benefits include:

- better prices and quality
- reduced duplication of time and effort
- reduced transaction, administration and sourcing costs
- access to procurement expertise
- compliance with legislation and regulations, good management information
- pre-agreed service and delivery conditions.³

A further benefit of framework agreements is that the suppliers on a consortia
framework will be contract managed by the consortia for a period of up to four years
and so can offer colleges support should they encounter any problems with a
particular supplier in the future long after the business has been placed with them.
This offers colleges a level of assurance and security that cannot be matched if the
procurement is done outside of a framework agreement.

Crescent Purchasing Consortium (CPC), who have worked in partnership with the

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³ Managing procurement to improve front-line services LSC June 2008,
LSC on the production of this guidance, have produced a glossary (annex A) of all of the CPC arrangements which provide FFE. This comprehensive list of arrangements is open to all member colleges. The vast majority of these arrangements have been EU tendered so, when used appropriately, will provide full EU cover; where this is not the case this is indicated in the glossary.

However a FFE supplier is selected, be it through a framework agreement or via a tender, a method of reducing risk to the college once the contract is in place is to novate the contract to the primary building contractor, assuming the contractor will take the risk on board. This ensures that should any problems arise at the time of installation the building contractor and the FFE supplier cannot try to avoid their responsibilities towards resolving the issue by beginning a ‘blame game’ which would be problematic for the college.

For difficult to source specialist items a good approach is to contact other colleges who have recently completed a build project to find out which suppliers they used. If you do not know any suitable colleges the LSC organised Regional Procurement Network meetings provide an excellent opportunity to discuss matters such as these. Having made the necessary contacts it is good practice to visit other colleges who have completed a build project prior to embarking on your own project to get the benefit of their experience and capture the lessons learned.

Collaboration with other colleges who have a build project with similar timescales is something that should be considered at an early stage, especially on common commodity requirements. Even when purchasing via a framework collaboration is
proven to have significant cost benefits. Again the LSC organised Regional Procurement Network meetings provide an excellent forum for discussing collaboration opportunities.

For all FFE items one important aspect to consider before ordering is supplier capacity and lead times. During a fit out it is possible that you will be ordering in quantities that are larger than normal for certain suppliers. It is important for the college to determine that the supplier has the capacity to fulfil your order and that they can deliver the products in time.

**Externally Led Approach**

If it is determined that the college does not have, and will not recruit, the necessary internal procurement capability and capacity then the procurement of FFE will need to be led by an external party. This could be a building contractor or a project manager that the college is already contracting with as part of the wider build project, or the college could choose to employ the services of a procurement consultant. All of the project managers on the LSC Consultancy Services Framework for Major Building Projects (which is now mandatory for projects that are likely to cost £5million or more) can provide procurement services for FFE. Whoever is appointed by the college to lead must be required to involve key stakeholders and the college will need to assume an intelligent client role in order to ensure that the college is equipped according to the needs of it's stakeholders including most importantly the students and college staff. Contracting out the procurement responsibility for FFE cannot relieve the college completely of any input in this area.
As mentioned previously any externally led approach will bring extra costs to a project. As with all costs in a build project it is important that the college is aware of what these costs are and that they are managed. A common way for building contractors to charge for procurement services is to charge on a cost plus percentage basis. The percentages charged on top of the price of the purchased goods can be as much as 15%. A more appropriate and manageable way of paying for procurement services is on a fixed fee basis. Another thing to consider with an externally led approach to control costs is agreeing a system of open book accounting with the contractor. This will help control rebates between contractor and suppliers that are not passed on to the college.

As with the internally led approach, the external party could use consortia and other contracting bodies’ framework agreements on behalf of the college. They can also conduct individual tenders for goods and services depending on which option presents the best value for money. It is common for building contractors and other external parties to favour certain suppliers over others and it is important that colleges are aware of this and take measures to ensure they are equipped on the criteria of value for money alone. The college could oblige the appointed third party to demonstrate that they have at least considered the utilisation of a framework agreement. Where an external party is leading the procurement, the use of framework agreements can be beneficial because when a college is reviewing costs the invoices can be checked against consortia prices. Where framework agreements are utilised by an appointed external party on behalf of a public sector authority it is
known as third party trading. CPC have confirmed with their suppliers that they are happy to undertake third party trading.

There may be some colleges who decide to contract an external party to lead the procurement processes for FFE but place direct orders themselves once the successful suppliers have been selected. In this scenario, where the successful supplier is on a framework, the college would just contract with the supplier in the normal way.

Useful Contacts

For more information or if you have any queries please use the following contacts:

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