

**THOMSON GRAY**

**Emergency Repairs  
Gilbert Bain Hospital**

For

NHS Shetland

**Procurement Report**

26 February 25

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## 1.0 Introduction

Mott Macdonald Limited (Consultant Engineers) were appointed by NHS Shetland in 2024 to undertake inspections and provide a report on the Condition of External Walls at the Gilbert Bain Hospital.

Following the publication of Mott MacDonald's Report, NHS Shetland have identified areas of the external building fabric that must be replaced and / or repaired without delay to mitigate the risk of catastrophic failure. The Mott MacDonald surveys and report have clarified the external walls affected, and proposed an outline solution for the safe removal and replacement of the existing wall with a lightweight cladding system.

Due to the nature of the works, and their location within the hospital, it is likely that various departments within the hospital will require decant to facilitate the works. This will put further strain on the health system and associated services within NHS Shetland. Given the urgency of the situation, works are required to commence immediately and therefore dispensation is required from regulatory procedures associated with procurement to enable a fast track process and completion of works timeously.

## 2.0 Procurement

Public Sector organisations must comply with statutory legislation in procuring their construction projects. Through the use of pre-existing public sector frameworks, public sector organisations can access pre-evaluated contractors which have been awarded a place on specific framework by the framework operator following rigorous due diligence processes which will include checks on competence, financial stability, experience and expertise, and capacity to successfully undertake projects.

All frameworks are established in strict compliance with UK and Scottish public sector procurement rules for use by public sector organisations in Scotland. The use of pre-existing frameworks ensures that the procuring body complies with the applicable legislation to ensure a fair and competitive means of selecting a delivery partner.

Whilst different procurement options exist for NHS Shetland, a contractor with the necessary skills, competence and expertise is required for works of this type and nature. It is our opinion that due to the emergency nature of the works, pre selecting a delivery partner through a framework is a fast track way of appointing contractors with the competence to undertake works of this complex nature. We have outline below some of the options available to NHS Shetland:

### 2.1 Frameworks Scotland 3 (FS3)

Frameworks Scotland 3 (FS3) is managed by Health Facilities Scotland on behalf of NHS Scotland.

Frameworks Scotland 3 is a procurement programme which reflects a strategic and collaborative partnering approach to the procurement, development, design and construction of publicly funded construction and maintenance works, complimenting other procurement initiatives for the delivery of health, social care, and other facilities in Scotland.

This national Framework is an agreement with five contractors, called Principal Supply Chain Partners (PSCPs) and one reserve PSCP selected via an Official Journal of the European Union (OJEU) tender process and is in place until 2025.

This procurement route still requires a call off process to be undertaken to select a contractor which takes approx. 8 weeks to carry out. Given the immediate requirement to participate in buildability, phasing, sequencing and temporary works design this procurement route has been discounted.

## 2.2 NSS Minor Works Framework

NSS Scotland's Minor Works Framework is a national framework which allows NHS Scotland organisations to procure construction firms to carry out construction works. All contractors have been through a vetting process and the call off procedure within the Framework Agreement allows for a direct award.

NSS Scotland's Minor Works Framework includes a bespoke schedule of contract amendments specific to healthcare projects. The framework does embrace the principals of collaborative working and is flexible on tendering either as a direct award for emergency situations or via a competitive process. The framework is more suited to backlog and projects of a less complex nature.

The regional lot for Shetland is restricted with only 1 local based contractor. From discussions with NHS Shetland and the contractor we understand that due to other commitments they are unable to support this project in the role as Principal Contractor. It is our opinion that this route should therefore be discounted.

## 2.3 Hub North Scotland Ltd

Hub North Scotland Ltd. is an Institutional Public/Private Partnership. It is one of five regional hubs set up by the Scottish Futures Trust (SFT). Hub North Scotland is a strategic development partner for 16 public sector organisations in Scotland. The private-public partnership is responsible for delivering the full range of strategic and project related services across Scotland including infrastructure projects to support services such as health, education and emergency services.

Hub North Scotland have a supply chain of Tier 1 Contractors which can be directly accessed by NHS Shetland. These include:

- Robertson Construction
- Balfour Beatty
- Morrison Construction
- Kier Construction
- CHAP Construction
- Ogilvie Construction

NHS Shetland already have direct access to the Hub North Scotland partnering and project services as signatories to the 25 year Territory Partnering Agreement (TPA) put in place when Hub North Scotland was constituted.

The supply chain partners are regularly reviewed as part of the Hub North Scotland governance process. This includes monitoring and assessment of performance, financial standing and partnership behaviours through contractual Key Performance Indicators. The supply chain is periodically refreshed however there is ongoing flexibility for new supply chain members where this is specifically required to support a project or service.

Hub North would undertake a project management role, which would incur a cost based on a set percentage of the project development costs. Contractor costs are based on defined rates and percentages for profit, overheads, and preliminaries (site set-up).

This procurement route also includes a bespoke schedule of contract amendments specific to public sector projects and a commercial cap on overhead and profits. The framework embraces the principals of collaborative working and can achieve faster delivery of projects with greater certainty on time, cost and quality. The Hub Partnership model is focused on delivering Best Value for public sector investment which includes demonstration of value for money as a fundamental, but also includes other key aspects of Social Value, Community Wealth Building, Quality and Environmental considerations which are included in the delivery of Hub services through contractual Key Performance Indicators

Thomson Gray are of the opinion that this procurement route will provide NHS Shetland with a contractor with the capability and experience to undertake these emergency repair works. A single call off through this framework enables NHS Shetland a fast track process to appoint a single contractor easily and at speed and therefore should be accepted as the procurement vehicle to deliver these works.

### **3.0 Ensuring Value for Money**

The contract sum is the agreed estimate of price between NHS Shetland and the Contractor for the construction works. This price will be agreed as part of the Pre-Construction appointment and the Hub territory partnering agreement sets out a process that ensures, under a single source appointment, how value for money can be achieved.

1. Subcontractor tender packages (80 - 85% market tested)
2. Contractor prelim costs - staff, welfare, etc. These costs will be a combination of staff rates or tender packages and are pre agreed through the Framework Agreement.
3. Contractor overheads and mark up (pre agreed through the Framework Agreement)
4. Contractor's pre-construction fee
5. Risk allocation - jointly agreed with NHS Shetland and capped at 1%

Thomson Gray, as cost advisors, will review all elements of the contract sum to ensure that NHS Shetland obtain value for money throughout the process. As cost advisors we will undertake the following review procedures: -

1. Subcontractor tender package review – ensuring a comprehensive approach is taken to the selection of subcontractors for the works.

2. Assessment of prelims – benchmark and review rates to ensure in line with Framework Agreement. Any specialist packages will be competitively tendered / sourced as a work package.
3. Perform assessment duties of any direct works and benchmark these against other projects and frameworks
4. Prepare a Stage 2 pricing report which details the tendering processes and reviews undertaken to agree the price.

By undertaking these measures, Thomson Gray can be confident that the outturn costs for the project will provide value for money for NHS Shetland under the circumstances faced by the emergency repair works.