

Hartopp and Lannoy - Design Team Procurement Strategy

*The following procurement strategy has been produced in collaboration with **Andra Ulianov, Head of Contracts and Procurement***

1. PROCUREMENT SCOPE – WHY THE PROCUREMENT IS NEEDED

- 1.1 Hartopp Point and Lannoy Point blocks are being demolished due to serious health and safety concerns (fire and structure) identified by independent structural engineers. Cabinet approved the demolition in April 2019 with a target completion date of end December 2020.
- 1.2 Concurrently with the demolition, the Council has commenced preparatory work for the follow-on redevelopment of the site. Initial site capacity studies have indicated that the areas currently occupied by Hartopp and Lannoy points, the podium deck, garage structures and land closest Pellant road could deliver approximately 149 new homes. Initial scheme appraisal analysis had indicated that this scheme as, a policy compliant affordable housing scheme (at minimum), is viable and meets the council's approved viability hurdles.
- 1.3 Redevelopment of the site is considered possible as a direct delivery project, managed and funded by the council. This procurement will therefore deliver the Council's commitment to replacing social housing and providing genuinely affordable housing to meet the acute housing needs in the Borough. It will also address the justification set out in the Compulsory Purchase Order for the acquisition of all private interests in Hartopp and Lannoy Points.
- 1.4 To fulfil the Council's commitment to redevelop the site as quickly and efficiently as possible, it is necessary to procure a design team to include lead architect, planning consultant, principal designer, structural and civil engineer, mechanical electrical & plumbing engineer, Energy adviser, Consultation adviser (further details of the proposed team are set out in section 8). The intended contract will be from RIBA 1 to RIBA 3 design stages, including some elements of RIBA 4 relating to procurement of construction contractor. It is expected that at RIBA stage 3 a planning application for the site will be submitted. The design services are then expected to be novated the contract to the main construction contractor under a design and build contract.
- 1.5 The contract will be a multistage appointment, as permitted by the selected Framework, under which the council reserves the right to proceed on a stage by stage basis. Continuation of the contracted services under each stage will be subject to project viability and further budgetary approval. The council will also be able to re-tender at the end of each RIBA stage.
- 1.6 This procurement will be run concurrently with the procurement of a control team, which will provide project management, Employers Agent, Cost consultancy CDM and principle design services and will support the council to manage and co-ordinate design services, procurement of a construction contractor and delivery on site.

2. MARKET ANALYSIS

- 2.1 The provision of residential design services is a specialist area. However, this is a mature market and there are a broad range of consultants with the experience and capability to carry out these services. There are large consultancies that provide design services for large projects as well as smaller individual consultancies that can provide services. Officers are confident there are a select number of consultants in the market that would allow a successful procurement exercise to be undertaken. The size of this project, in construction value terms, is circa £50m and is considered medium to large. The proposed framework includes multi-disciplinary design services with the relevant experience and skillset for this value of construction project.
- 2.2 This project will also require the services of a design team with demonstrable experience of modular, off site residential construction and for the delivery of medium to high rise blocks of this nature. The benefits of this type of construction methodology include speed of delivery, reduced construction cost, quality and sustainability and the reduced impact of construction on the community living close to the construction site. This area of work is more specialist area than traditional build and is considered an emerging construction type. Significantly, the proposed framework includes teams/services with the relevant experience to design the development scheme for both off site and traditional build delivery methodologies.
- 2.3 The design and construction industry, like many other industries, has been greatly affected by the lockdown and downturn in business creating some uncertainty over the medium to long term viability of many companies in the industry. This creates an additional risk to the Council, which this procurement strategy seeks to control through the use of an existing framework and application of strict financial and quality control mechanisms in the contract.

3. PROCUREMENT ROUTE OPTIONS AND CONSIDERATIONS

- 3.1 The value of the services is above the EU threshold meaning Public Contract Regulations 2015 and Public Sector Directive 2014/24/EU would apply.

Procurement Routes

- 3.2 The main procurement route to market is to use a compliant third-party framework in line with CSO 19.1.

Existing Third-Party Frameworks

- 3.3 There are various OJEU-compliant frameworks provided by some of the major housing associations (G15) that offer a quicker route to market and access to a pool of pre-selected consultants that have already been assessed by framework providers as suitable for delivering construction professional services.

- 3.4 Review of available frameworks such as Fusion 21; LHC; and South East Consortium identified *Notting Hill Housing (NHH) Consultants Framework 'CF1'* as most suitable for use for this project as it offers the running a mini competition between invited suppliers with demonstrable ability and skill to delivering council's objectives as set out in section 2 above.
- 3.5 The identified Framework is OJEU compliant; and Officers and Legal Services have reviewed the details of Notting Hill's Framework Agreements as part of preparation of this strategy.

Procurement Routes Considerations

- 3.6 The use of an existing third-party framework, such as NHH's Development Framework, offers demonstrable advantage to the council as all registered consultants on the framework would have been vetted and appointed following assessment of their technical capability, insurance, health & safety and financial standing.
- 3.7 NHH's Development Framework specifically permits the running of mini competition between invited suppliers meeting capability assessment.

Procurement Options Analysis

Option 1: Do nothing (not recommended)

- 3.8 The "do nothing" option would either mean (1) not proceeding with this decision or (2) not proceeding with the redevelopment project.
 - 3.8.1 Not proceeding with this decision but proceeding with the redevelopment would result in further delay to procurement of design services which is a specialist services not available to the council internally. This option would also significantly delay commencement on site and ultimately the timely delivery of much needed affordable housing.
 - 3.8.2 Not proceeding with the redevelopment would mean leaving a significant part of a council estate hoarded off following demolition of the existing buildings. This would also increase risks associated with a hoarded site in a council estate that could be subject to trespass and may require additional security costs. This would also not be in line with the Council's commitment to delivering the redevelopment and would result in no re-provision of much needed genuinely affordable housing in the Borough.

Option 2: Carry out an end-to-end tender process through Capital E-Sourcing (not recommended)

- 3.9 Commencing a new tender exercise under the Open, Restricted, Competitive Procedure with Negotiation or Competitive Dialogue procedures would be very time-consuming and could take from 6 months to a year (depending on the procedure selected).

3.10 Due to the urgent need to procure these services and the council's ability to control both value for money and quality through option 3 (below), this option is not feasible or recommended.

Option 3: Call-off under the Notting Hill Housing Development Framework

3.11 This is the preferred option. NHH's Development Framework is an OJEU-compliant framework agreement that offers the Council quick access to a pool of pre-selected consultants. The consultants on the framework have been assessed for their suitability for undertaking construction professional services for housing development projects.

3.12 The Framework commenced on 31st May 2017, includes a high number of known reputable experienced consultants with specialist skills including in the design of modular, off site construction of residential property.

3.13 Assessment of the framework's suitability has identified 26 registered suppliers in CF1 Lot 2, that closely match the council's target of contractors. Further, the Framework permits the running of a mini competition by invitation following an initial assessment of contractors' capability.

3.14 Significantly, the council as an authorised user will not be charged a fee for using the Framework. The Council has entered into an Access Agreement in order to call-off from the Framework.

3.15 Given the number of organisations on the framework it is expected that the Council will receive manageable number of quality tenders allowing effective evaluation and conclusion of appointment.

4. RISK ASSESSMENT AND PROPOSED MITIGATIONS

4.1 In producing this report, procurement risks and their control measures were considered and implemented.

Risk	Likelihood	Risk Control	Residual control
Limited interest from suppliers on the framework resulting in low, or poor quality, tenders.	low	Soft market testing indicates a high level of interest in this work from supplier. Quality will be controlled through the development of a detailed and clear procurement brief highlighting both quality and price objectives. Further, proposed procurement route	Residual risk is further controlled through the ability to work closely with Notting Hill and ensure capability assessment of contractors is adapted to

		through the Framework offers the council direct control over the number and experience of tenderers.	meet council's requirements.
Not using an open procurement may limit competitiveness between suppliers to achieve best value for money.	medium	The use of a framework through which a limited number of supplier's are invited to tender may result in quantitatively limiting competition and resulting in a limited number of large suppliers tendering for the work. Large suppliers may have larger overheads compared to small to medium suppliers. This risk is mitigated against through the use of a detailed pricing schedule and directly procuring the services of a quantitative surveyor as well as having the option to procure sub-contractors directly.	Robust and effective project management will help control this risk as well as regular review of the project's budget and contingency.
Lack of experience in delivering new high-quality modular constructions.	Low	An initial assessment has been carried out on registered suppliers on the Framework and suitably qualified suppliers have been identified.	Quality assessment will help ensure successful tenderer has the required experience.
Construction market inflation.	Medium	Close working between the council's appointed control team (e.g. Quantitative Surveyor, Employer's Agent, cost consultant) and the Design Team would offer adequate controls over market inflation by mitigating and foreseeing inflation risks and where necessary adapting the speed of delivery, order and timing of work packages to limit inflation effects.	An appropriate level of project contingency needs to be agreed in advance of appointment to further mitigate against inflation risks.

Procurement legal challenge	Low	Procurement through the Framework offers an established procurement route with manageable number of tenders expected. This would help streamline the evaluation and award process and reduces risk of any challenge.	Council's internal procurement evaluation process will be followed further reducing the risk of a challenge.
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5. **FINANCIAL INFORMATION**

- 5.1 On 2 September 2019, Cabinet approved a budget of £250,000 for the redevelopment's feasibility stage of which £209,491 remain to be used. A further £200,914 is available for the redevelopment from the re-purposing of unused amounts from the original budget approved by Cabinet which was initially set for the Compulsory Purchase Order.
- 5.2 The appointed Design Team will enable the council to develop a detailed cost plan which will be interrogated by a quantity surveyor appointed under the Control Team procurement strategy, following which further funding might be sought subject to viability assessment.
- 5.3 Whilst it is anticipated that the costs associated with the procurement and subsequent contract will be capitalised there is a risk that should the procurement not be successful, or the appointed contractor not complete the contract, or the project is aborted, the costs would be written off as an unbudgeted charge to HRA revenue.
- 5.4 The Instruction to Tenderer (ITT) document for this procurement exercise should include economic and financial standing that tenderers will need to meet in order to qualify for evaluation.
- 5.5 The requirement for a contract such as this would be:
- i. A credit safe score of 51 or more.
 - ii. An average turnover over the last two years that is at least double the anticipated contract value.
- 5.6 The ITT may include within its provisions that, should a supplier not pass the credit score set out above, the Council's Section 151 officer may decide that it is in the council's best interest to proceed with that supplier if the benefits outweigh the risks and adequate mitigation are in place to reduce and control risks to the council.

6. **COMPETITION PROCESS**

- 6.1 The Council's preferred option is to use NHH's Consultants Framework 'CF1' to run a mini competition following a capability assessment between

contractors best suited to meet council's design, quality and best value objectives.

- 6.2 The following indicative timetable has been set for running the procurement exercise. The dates are subject to change at any stage in the process.

Activity	Completed by
Issue Invitation to bidders to submit Tender (ITT):	Week starting 10 August 2020
Site visit date on or around:	Week starting 17 August 2020
Closing date for submission of Tenderers' questions:	28 August 2020
Closing date for receipt of Tenders (the "Deadline"):	04 September 2020
Evaluation of Tenders on or around:	18 September 2020
Internal approvals process completed on or around:	28 September 2020
Notification to proposed award of Contract on or around (the "Effective Date"):	01 October 2020
Issue of Standstill Letters - Standstill period commences on or around:	02 October 2020
Contract signature on or around:	19 October 2020
Contract Commencement on or around:	19 October 2020

7. SELECTION AND AWARD CRITERIA

7.1 Most Economically Advantageous Tender (MEAT) using Quality/Price Ratios

- 7.2 As there is no specific evaluation requirement stipulated in the framework, the contract will be awarded to the MEAT based combination of price and quality. This will be in accordance with the award criteria described in paragraph 7.3 and in line with the Council's evaluation procedures as set out in the CSOs.

7.3 Quality/Price Award Criteria

- 7.3.1 In accordance with the council's CSO and PCR 2015 Regulation (67) the council seeks to award the contract on the basis of the Most Economically Advantageous Tender.
- 7.3.2 Suppliers meeting a capability assessment will be invited to tender through the framework.
- 7.3.3 Submissions will be assessed on a price/quality ratio of 30/70 and quality is scored in accordance with the Framework's terms, which also allows for the assessment of the Consultant's social value proposals.

7.3.4 The use of this price/quality ratio of 30/70 respectively would ensure both value for money and quality despite the assessment giving a slightly higher weight to quality in recognition of the specialist, technical nature of demolition work and associated risks.

7.3.5 In calculating submissions, the lowest priced tenderer will receive 30% and the remaining will be scored proportionately to the lowest price.

7.3.6 Tenders will be evaluated in accordance with the following criteria:

Element	Weighting	Scoring basis
Price	30%	<p>Lowest price submitted will receive 30% and the remaining submissions will be scored in accordance with their difference from the lowest price as follow:</p> $Score = \frac{Lowest Price}{Current Price} \times 30\%$
Quality	70%	<p>Quality scoring will be carried out in accordance with the Framework's terms and weighted as follow:</p> $Score = \frac{Scored Marks}{Marks Available} \times 70\%$

7.3.7 Quality evaluation will be scored weighted as follows:

Quality sub-categories	Weighting
Design Delivery – Experience, Technical Competence of the project	35%
Approach to design and collaboration & programme	25%
Resource Management Structure and sub-contractors	13%
Project Risks and Mitigation	4%
Communication and Stakeholders	5%
BIM (Building Information Modelling) principals	4%
Social Value	14%

7.3.8 In accordance with council's requirement, Social Value will account for 10% of the overall scoring.

7.3.9 The council will not bind itself to accept the lowest submission or any tender/submission and reserves the right to accept the whole or any part of any Tender submitted.

7.3.10 The council will also reserve the right to seek clarifications before concluding the evaluation stage.

7.3.11 Where the pricing of a Tender is abnormally low the Council reserves the right to reject the Tender and exclude it, so it does not affect scoring.

7.3.12 The technical specifications, including levels of indemnity and insurances are currently being finalised by officers.

7.3.13 In view of the fact the technical elements of the contract are highly specialist and a high element of compliance is required, the 30/70 price/quality split would enable the Council to better test value offered against the rigorous specifications.

7.4 Compilation of Scores for Quality and Price

7.4.1 The scores awarded to each tender for the Quality and Commercial elements of the evaluation will be added together to establish the MEAT, which is the tender with the highest combined score for price and quality.

7.4.2 Tender Appraisal Panel (TAP): A TAP will be set up to monitor the progress of the procurement process. The TAP will include representatives from Area Regeneration team and the Development teams and will manage the process including capability assessment of suppliers, invitation to the mini competition, launching of the ITT, tender clarification, evaluation, and contract negotiation and award.

7.5 Social Value, Local Economic and Community Benefits

7.5.1 In line with council's Social Value Policy, specific measurable social value will be sought under this procurement through tenderers being required to include social value commitments and complete a social value matrix that would monetise each tenderers' social value commitment for the purpose of evaluation.

8. CONTRACT PACKAGE, LENGTH AND SPECIFICATION

8.1 Initial estimate of the cost under this procurement up to RIBA 3 stage, including some elements of RIBA 4 relating to procurement of construction contractor, is estimated at £1.2m. The existing budget of £410,405 provides sufficient funding for RIBA 1 stage (for the appointments of the Design Team and the Control Team) which would also help determine the overall viability to progress to RIBA stage 3 (submitting a planning application).

8.2 Further budgetary approval will be sought and will include an updated procurement strategy for the remaining RIBA stages through to submission of a planning application.

8.3 The council will appoint the successful supplier to deliver RIBA 1 with the option to extend the contract on a stage by stage up to RIBA 3 stage, subject to viability and funding availability and with no obligation to rolling the contract. Cabinet approval will be sought for additional funding and the council's

development board will ensure project viability is considered before extension of contract beyond RIBA stage 1.

- 8.4 In accordance with the Framework's deed of appointment, the contractor might be appointed for all the stages but with stages after RIBA 1 being suspended on the signing of the contract and only re-activated when the Development Board is satisfied with the project's viability and availability of additional funding.
- 8.5 It is anticipated that the following planning submission stage, the contract will be novated to the main construction contractor under a Design and Build contract at the discretion of the council.
- 8.6 The council will set out this information clearly within the tender documents and bidders will be required to provide proposal fees for RIBA stage 1, 2 and 3 (to be evaluated).
- 8.7 The services to be procured to include an Architect/Lead Consultant and a multi-disciplinary team. This team is expected to include the following consultants/services:
 - Environmental Impact Assessors
 - Planning Consultant
 - Principal Designer
 - Daylight / Sunlight and associated rights
 - Mechanical, Electrical & Plumbing including energy consultants
 - Landscape Designer
 - Structural and Civil Engineers
- 8.8 The council will reserve the right to appoint each service independently rather than through the lead consultant.
- 8.9 The Design Team may also be required to:
 - a) Co-ordinate and manage site surveys which include structural, asbestos and land contamination investigations
 - b) Co-ordinate the two-stage procurement for a construction partner as this is likely to be above the OJEU 'works' threshold
 - c) Supporting the council's engagement with residents
- 8.10 The Design Team will be appointed to deliver RIBA 1 (outline design stage) which is expected to last about 3 months. The council will maintain discretionary option to extend the contract to deliver up to and including RIBA 3 stage (planning application) and include some elements of RIBA 4 relating to procurement of construction contractor. This is anticipated to last for a further 12 months.
- 8.11 The Council can use a range of contracts such as JCT/TPC/NEC or any bespoke contract of the Council's choosing. Subject to the framework requirement, the council is proposing the Framework's appointment contract

with some specific council amendments where permitted.

- 8.12 It is proposed to award a single contract expected to start in October 2020 and conclude in May 2022 with the contract being novated to the main construction contractor from May 2022. This proposed contract period, which is longer than anticipated period set out in 8.8 above, is designed to account for any unexpected delay during the planning stage.
- 8.13 At the end of each RIBA stage, the council will not be obliged to roll the contract over to the next RIBA stage and will continue to reserve the right to terminate re-tender for each and every subsequent RIBA stage. This will ensure that the appointed supplier is incentivised to provide both high quality and best value on each and every RIBA stage.

9. CONTRACT MANAGEMENT

- 9.1 Procurement will be managed by the Project Team supported by the council's procurement and legal services.
- 9.2 The contract will be managed by a project team supported by a control team of professional services to be appointed under a separate procurement strategy.
- 9.3 A suite of KPI's will be used to monitor, measure and report on the performance of both consultants and contractors. Example of KPI's that might be used to monitor performance:
- a) Meeting or exceeding time and cost design estimate for each RIBA stage or work package
 - b) Clear and demonstrable continuous understanding of council's design requirements
 - c) Responsiveness to changes and adaptation of design
 - d) Responsiveness and close working with council's appointed control team
 - e) Responsiveness and availability to the council's project team
 - f) Actual time taken to rectify or adapt design to account for any changes in requirements including regulatory changes.
 - g) Actual time taken to rectify defects or account for issues highlighted by the council's control team
 - h) Understanding and mitigating environmental impact, waste control, noise, dust during construction
 - i) Successfully engaging and involving of local residents and other stakeholders
 - j) Understanding the client's position as a public body answerable to members and residents.