

## **Hartopp and Lannoy - Control 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 support the redevelopment and to fulfil the Council's commitment to redevelop the site as quickly and efficiently as possible, it is necessary to procure a team of professional services; the Control Team from RIBA 1 to RIBA 7.
- 1.5 The contract will be on a multi-stage appointment 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.
- 1.6 This procurement, run concurrently with the procurement of a Design Team, 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 contractor and delivery on site.

### **2. MARKET ANALYSIS**

- 2.1 The provision of construction professional services is a specialist area and there are a number of consultants with the experience and capability to carry out these services. There are large consultancies that provide employers agent / project management services for large projects as well as smaller individual consultancies that can provide these services. Officers are confident

there are sufficient number of consultants interested in this project which 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 Dynamic Purchase System (DPS) 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 includes; speed of delivery, reduced construction cost, quality and sustainability and significantly the reduced impact of construction time on the community living close to the construction site. The proposed modular redevelopment is considered an emerging construction type that require specialist contractors and the proposed DPS includes teams/services with the relevant experience to design the development scheme for both off site modular construction and traditional build.
- 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 DPS 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 DPS in line with CSO 19.1.

#### **Existing Third-Party Framework/Dynamic Purchasing System**

- 3.3 There are various OJEU-compliant frameworks and Dynamic Purchasing Systems (DPS) provided by some of the major housing associations (G15) and local authorities that offer a quicker route to market and access to a pool of pre-selected consultants that have already been assessed by framework/DPS providers as suitable for delivering construction professional services.
- 3.4 Review of available Frameworks/DPSs such as Fusion 21, South East Consortium and Westminster DPS, identified Haringey's London Construction Programme (LCP), which is Dynamic Purchasing System (DPS), as most suitable for use for this project as it has extensive list of suppliers with demonstrable ability and skill to delivering council's objectives.

- 3.5 The identified DPS is OJEU compliant; Officers and Legal Services have reviewed the details of the DPS and its access agreement as part of preparation of this strategy.

### **Procurement Routes Considerations**

- 3.6 The use of an existing third-party DPS, such as Haringey's LCP, offers demonstrable advantage to the council as all registered consultants on the DPS would have been appointed following assessment of their technical capability, insurance, health & safety and financial standing.

### **Procurement Options Analysis**

#### **Option 1: Do nothing (not recommended)**

- 3.7 The "do nothing" option would either mean (a) not proceeding with this decision or (b) not proceeding with the redevelopment project or (c) not appointing a control team but proceeding with development.
- a. Not proceeding with this decision but proceeding with the redevelopment would result in further delay to procurement of the Control Team which is a specialist services not available to the council internally. This option would significantly delay commencement on site and ultimately the timely delivery of much needed affordable housing.
  - b. Not proceeding with the redevelopment would mean leaving a significant part of a council estate hoarded off demolition site and would not be in line with the underlying justifications for the use of the Compulsory Purchase Order. 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.
  - c. Not appointing a Control Team would give rise to significant risks and make the council wholly reliant on the architect led design team with no technical oversight of their work such as cost consultants, employer's agent and CDM.

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

- 3.8 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).
- 3.9 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: London Construction Programme Dynamic Purchasing System (DPS) (recommended)**

- 3.10 This is the preferred option. It is recommended that the council uses the London Construction Programme's Dynamic Purchasing System (DPS) for Construction, Estates and Property Professional Services to procure the services of the supplier. Dynamic Purchasing Systems are regulated under S34 of the Public Contract Regulations 2015 (the EU Regulations).
- 3.11 Construction Programme (LCP) is led by the London Borough of Haringey, which has a range of frameworks and DPSs available for use by London authorities. Suppliers appointed to a DPS are pre-approved through an EU compliant process requiring them to demonstrate quality and minimum standards of competence.
- 3.12 The Council is required to use the DPS tender portal instead of the Council's CapitalESourcing. The council is a permitted user of the DPS, following the signing of an Access Agreement dated 9<sup>th</sup> August 2019 last year. The use of this DPS's Portal for launching tenders is a requirement under the Access Agreement the council entered into. Therefore, approval of the Head of Procurement will be sought.
- 3.13 Officers have reviewed London Construction Programme Dynamic Purchasing System and are satisfied that it fits council's requirements and will speed up the procurement of the services. There are many service categories on the DPS and Officers identified Lot 2 (Construction Project Management Services) as the one most suited for meeting council's requirements as it contains a strong pool of qualified suppliers with extensive experience of construction projects.
- 3.14 Given the number of organisations on the DPS it is expected that the Council will receive a good number of quality tenders allowing effective evaluation and conclusion of appointment.
- 3.15 Further, the DPS permits the council to use any form of contract such as JCT/TPC/NEC or any bespoke contract that the council deems most appropriate for the services to be provided. Officers will finalise with Legal the form of contract to be used but in any event, the contract will include break clauses, or automatic suspension of all stages beyond RIBA 1, to ensure contractual commitments match with available funding.

#### **4. RISK ASSESSMENT AND PROPOSED MITIGATIONS**

- 4.1 In producing this report, procurement risks and their control measures were considered and implemented.
- 4.2 The proposals are consistent with the council's priority, Being Ruthlessly Financially Efficient. The appointment of the Control Team to include cost

consultants will offer the Council a direct control over costs, quality and delivery risks and ensure Council's objectives are met.

- 4.3 The specialist services to be procured under this strategy are not available to the Council internally and procurement of a highly experienced professional team is critical to the delivery of the project as it will offer quality and price oversight over the work and services produced by the Design Team and at later stages the construction contractor.

## 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 Control Team will interrogate and quality test the design work of architect led design team and enable the council to develop a detailed cost plan, following which, further funding might be sought subject to viability assessment.

- 5.3 While 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, that costs would be written off as an unbudgeted charge to HRA revenue.

- 5.4 The Instruction to Tenderer (ITT) document for this procurement exercise will include an 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 a provision that, should a supplier not pass the credit score set out above, the Council's Section 151 officer may decide that it in the council's best interest to proceed with that supplier if the benefits outweighs the risks and adequate mitigations are in place to reduce and control the risks to the council.

## 6. **COMPETITION PROCESS**

- 6.1 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
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<b>Activity</b>	<b>Completed by</b>
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 DPS, 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 Submissions will be assessed on a price/quality ratio of 40/60 and quality is scored in accordance with the DPS's terms, which shall also incorporate assessment of social value.

7.3.3 The use of this price/quality ratio of 40/60 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.

7.3.4 In calculating submissions, the lowest priced tenderer will receive 40% and the remaining will be scored proportionately to the lowest price.

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

Element	Weighting	Scoring basis
Price	40%	<p>Lowest price submitted will receive 40% and the remaining submissions will be scored in accordance with their difference from the lowest price as follow:</p> $Score = \frac{Lowest Price}{Current Price} \times 40\%$
Quality	60%	<p>Quality scoring will be carried out in accordance with the DPS's terms and weighted as follow:</p> $Score = \frac{Scored Marks}{Marks Available} \times 60\%$

7.3.6 Quality evaluation will be scored weighted as follow (if Social Value is evaluated as a separate criterion):

7.3.7 Quality evaluation will be scored weighted as follows:

Quality sub-categories	Weightin
Project Delivery – Experience, Technical Competence of the project	25%
Approach to design, collaboration and programme	25%
Management Structure and sub-contractors	13%
Project Risks and Mitigation	16%
Health and Safety	5%
Social Value	16%

7.3.8 In accordance with council's requirements, 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 60:40 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 Price 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, 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 up to RIBA 1 stage under this procurement is estimated to be £195,000. The existing budget of £410,405 provides sufficient funding for RIBA 1 stage which would also help determine the overall viability to progress to later stages. Further budgetary approval will be sought for the remaining RIBA stages.

8.2 The council will appoint the successful supplier to deliver RIBA 1 with the option of termination and retender after RIBA 1 or continue with the same supplier up to RIBA 7 stage, subject to viability and funding availability and with no obligation to rolling the contract.

8.3 The contractor will be appointed for all the stages but with stages after RIBA 1 being suspended on the signing of the contract and only being re-activated when the Development Board is satisfied with the project's viability and additional funding is available.

8.4 Services to be procured to include a lead consultant supported by a multi-disciplinary team, appointed either independently or through the lead consultant this would include but not limited to:



- Employer's Agent
- Project Management
- Quantity Surveyor and cost consultants
- Principle Designer / CDM

8.5 The council will reserve the right to appoint each sub-service provider independently rather than through the lead consultant.

8.6 The supplier will manage the project, assist the council in cost planning, preparation of project requirements, oversee the work of architect led design team, lead the procurement of the construction contractor and manage the construction contract on behalf of the council, ensuring council's requirements and specifications meet CDM and safety requirements for the project. The supplier will also assist in the completion and maintenance of a risk register for the project.

8.7 It is proposed to award a single rolling contract expected to start in October 2020 and conclude in February 2024. 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 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 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 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 sub-contractors. Example of KPI's that might be used to monitor performance:

- a) Meeting or exceeding time and cost design estimate for each work package.
- b) Clear and demonstrable continuous understanding of council's project and design requirements.
- c) Responsiveness to changes and adaptation of project and design.
- d) Responsiveness and close working with council's appointed architect led design team.
- e) Responsiveness and availability to the council's project team.
- f) Actual time taken to rectify or adapt project to account for any changes in requirements including regulatory changes.
- g) Actual time taken to report defects or issues and oversee swift ratification
- 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.