

# Development Sites at Barclay Close, Becklow Gardens, Land Behind the Grange & Land Adjacent to Jepson House - Control Team Procurement Strategy

*The following procurement strategy has been produced in collaboration with **David Von Ackerman, Head of Procurement***

## 1. **PROCUREMENT SCOPE – WHY THE PROCUREMENT IS NEEDED**

1.1 In June 2019, the council launched the Building Homes and Communities (Growth) Strategy, through which it committed to using its assets to:

- Build up to 1,800 new homes in the borough over 10 years.
- Utilise assets to help manage demand and avoid costs, for instance from specialist housing or temporary accommodation
- Generate long-term sustainable income for the council to safeguard frontline services.

1.2 On 18th July 2022, Cabinet approved an overall budget of £7,512,028 to allow progression of associated development tasks, activities and expenditure, to facilitate the journey and delivery, on all four sites, up to and including the completion of LBHF’s development stage 2 – Planning (RIBA Stages 1 Review, 2 and 3) and stage 3 – Procurement (RIBA Stage 4).

1.3 The four sites form part of the Council’s direct delivery development programme. Across the four sites capacity studies demonstrate 80 new homes could be delivered with a minimum of 50% being affordable.

1.4 Whilst this procurement strategy value is financially grouped cumulatively, for the four sites, the overall budget commitments split between projects is as summarised in the table below:

<b>Project Name</b>	<b>Cabinet Approved Budget (18<sup>th</sup> July 22)</b>
Barclay Close	£900,878
Becklow Gardens	£1,677,922
Land behind The Grange	£1,732,504
Land Adjacent to Jepson House	£3,200,724
<b>Total Budget</b>	<b>£7,512,028</b>

1.5 The Council has opted to combine and procure the four individual projects simultaneously, due to them being relatively small in size and complexity as individual schemes, and, in order to maximise the level of market interest from suitable professional consultants. Evaluation will be based on the combined returns (Quality and Cost). However, following the procurement exercise, the four projects will be independent, and the successful tenderer will be appointed separately on each of the projects. The four projects will progress each with their own individual respective budgets, programmes and financial KPI’s.

1.6 This procurement is in line with Council’s commitment to and provide

genuinely affordable housing to meet the acute housing needs in the Borough and help rejuvenate the local area and local business that are still struggling from the effects of Covid-19.

- 1.7 To fulfil the Council's commitment to redevelop the sites as quickly and efficiently as possible, it is necessary to procure a Control Team from RIBA 1 to RIBA 7, subject to further LBHF gateway and/or governance approvals. The Control Team will provide project management, employers agent, cost consultancy, client sustainability advisor, CDM and principal design services and will support the council to manage and co-ordinate design and procure a main construction contractor for the delivery of the projects.
- 1.8 The appointed Control Team will maintain responsibility for the optioneering of sustainability levels to be achieved by each of the projects. The Jepson House and Grange projects particularly have been nominated as 'Net Zero Carbon' redevelopment projects, supporting the Council meeting its emerging Climate and Ecology strategy.
- 1.9 The contract will be on a multi-stage 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, with the Council able to terminate on notice at any time.
- 1.10 This procurement will be run concurrently with the procurement of a Design Team, which will provide a lead architect, planning consultant, structural and civil engineer, mechanical electrical & plumbing engineer, sustainability & energy adviser, consultation consultant.
- 1.11 In line with the Council's Defend Council Homes policy approved by Cabinet in January 2021, local residents from each of the respective project areas will be invited to participate fully and in a timely manner in this procurement, as a decision which will have a bearing on their interests arising from a redevelopment proposal that could significantly affect their homes.

## 2. **MARKET ANALYSIS**

- 2.1 The provision of Control team services is a specialist area. However, this is a mature market and there are a broad range of consultants with the necessary experience and capability to carry out these services. The size, experience, turn-over and liability cover of the various consultancies that offer such professional design and control services, are generally proportionate to the size and complexity of the project they tender for and deliver. Officers are confident there are a select number of consultants in the market that would allow a successful simultaneous procurement exercise to be undertaken for these four individual projects. The combined size and complexity of these four projects (in construction cost terms), is c. £26m and therefore, when aggregated, considered medium in size.

- 2.2 The design and construction industry, like many other industries, has been affected by the recent COVID pandemic, ongoing war in the Ukraine and wider economic impacts, creating some uncertainty over the short to medium term viability of some companies in the industry. Whilst this creates additional risk to the Council, this procurement strategy seeks to mitigate by using established frameworks and the application of strict financial review and quality control mechanisms in the contract evaluations and awards.

### 3. **PROCUREMENT ROUTE OPTIONS AND CONSIDERATIONS**

#### **Procurement Options Analysis**

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

- 3.1 The “do nothing” option would either mean (a) not proceeding with this decision or (b) not proceeding with the redevelopment projects or (c) not appointing a control team but proceeding with developments.
- a. Not proceeding with this decision but proceeding with the redevelopment would result in further delay to procurement of the Control Team which are 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 this project would mean the Council not complying with its GLA funding and delivery commitments. This would also not be in line with the Council’s commitment to delivering the redevelopment of the site 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 by Cost Consultants or an Employer’s Agent.

##### **Option 2: Carry out an open tender (not recommended)**

- 3.2 Commencing a new ‘Find a Tender’ exercise under the UK Government’s Open, Restricted, Competitive Procedure with Negotiation or Competitive Dialogue procedures would be time-consuming and could take from 4 months to a year (depending on the procedure selected).
- 3.3 Due to the urgent need to procure these services this option is not recommended.

##### **Option 3: Call off (mini competition) under an existing framework agreement (recommended)**

#### **Existing Third-Party Framework**

- 3.4 There are various 'Find a Tender' compliant frameworks that offer a route to market and access to a pool of pre-selected consultants that have already been assessed by the framework provider as suitable for delivering construction professional services.
- 3.5 Review of various frameworks such as Fusion 21; LHC; Notting Hill Housing Framework has identified **Pagabo Professional Services Framework, Lot 4** as the most suitable for use for this procurement as it offers the option to run a mini competition between invited suppliers with demonstrable ability and skill to deliver the Council's objectives as set out in section 2 above.
- 3.6 The identified Framework is 'Find a Tender' compliant; and Officers and Legal Services have reviewed the details of Pagabo's Framework Agreement as part of the preparation of this strategy.
- 3.7 The use of an existing third-party framework, such as Pagabo's Professional Services 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.
- 3.8 Pagabo's Framework specifically permits the running of mini competition between invited suppliers which passed the capability assessment.
- 3.9 Pagabo's Framework 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 professional services for housing development & construction projects.
- 3.10 The Framework commenced in 2020, includes a high number of known reputable experienced consultants with specialist skills including in the design of modular, off-site and sustainable construction of residential property.
- 3.11 Assessment of the framework's suitability has identified 10 registered suppliers in Lot 4 (Cost Consultants & Quantity Surveyors, Project & Programme Manager, Lead Consultant), 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.
- 3.12 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.
- 3.13 Given the number of organisations on the framework it is expected that the Council will receive a manageable number of tenders, allowing effective evaluation and conclusion of appointment.

4. **RISK ASSESSMENT AND PROPOSED MITIGATIONS**

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

<b>Risk</b>	<b>Likelihood</b>	<b>Risk Control</b>	<b>Residual control</b>
Limited interest from suppliers on the framework resulting in low, or poor quality, tenders.	Low	Soft market testing and expressions of interest indicate a high level of interest in this work from suppliers. Quality will be controlled through the development of a detailed and clear procurement brief highlighting both quality and price objectives. Further, the proposed procurement route through the Framework offers the council direct control over the number and experience of tenderers.	Residual risk is further controlled through the ability to work closely with Pagabo and ensure capability assessment of contractors is adapted to 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 quantity 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	Low	An initial assessment has been carried out on registered suppliers on	Quality assessment will help ensure successful tenderer

constructions.		the Framework and suitably qualified suppliers have been identified.	has the required experience.
Construction market inflation.	Medium	Close working between the council's appointed control team (e.g. Quantity 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. The framework has been reviewed by internal legal.

## 5. **FINANCIAL INFORMATION**

- 5.1 On 18<sup>th</sup> July 2022, Cabinet approved a budget of £7,512,028 for the planning and procurement stages of the four redevelopment projects. The overall budget is split independently between projects as follows:
- Barclay Close (£900,878);
  - Becklow Gardens (£1,677,922);
  - Land behind the Grange (£1,732,504);
  - Jepson House (£3,200,724).
- 5.2 The appointed Control Team will interrogate and quality test the design work of the separate Design Team and enable the council to develop a detailed cost plan for each of the projects, 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 building 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 Invitation to Tender (ITT) document for this procurement exercise will include an economic and financial standing threshold checks 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 50 or more.
  - ii. An average turnover over the last two years that is at least double the anticipated contract value of the appointment.
- 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 a parent company guarantee or bond are in place to reduce and control the risks to the council.

6. **COMPETITION PROCESS**

- 6.1 The recommended option is to use Pagabo's 'Lot 4' and to run a mini competition following a capability assessment between contractors best suited to meet the 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.

<b>Activity</b>	<b>Completed by</b>
Issue Invitation to bidders to submit Tender (ITT):	14th November 2022
Closing date for submission of Tenderers' questions:	28th November 2022
Closing date for receipt of Tenders (the "Deadline"):	16th December 2022
Evaluation of Tenders:	6 <sup>th</sup> January 2023
Award governance process completed:	1 <sup>st</sup> February 2023
Issue of Standstill Letters - Standstill period commences:	1 <sup>st</sup> February 2023
Contract signature:	6 <sup>th</sup> February 2023
Contract Commencement:	13 <sup>th</sup> February 2023

7. **SELECTION AND AWARD CRITERIA**

- 7.1 A capability assessment will be run as the first stage of the selection process. This is run through the framework and must be in line with the set framework criteria. The assessment will include:

- The Consultant's capability to carry out a project of the size and complexity of the proposed project;
- The Consultant's capability to carry out services in the locality of the proposed project;
- The Consultant's financial stability and standing;
- The insurances held by the Consultant;
- The Consultant's capacity, taking into account the value of Services already awarded to it under the Framework Agreement;
- The volume of work (as a percentage of its total turnover) that the Consultant is currently carrying out for Pagabo or the Authorised User in question;
- The Consultant's performance against KPIs on current or previous Call Off Contracts awarded to it under the Framework Agreement; and
- The Consultant's willingness to work at risk on the project (as may be evidenced by examples of previous occasions where it has done so).

7.2 In accordance with the Council's CSO's and PCR 2015 Regulation (67) the council seeks to award the contract on the basis of the Most Economically Advantageous Tender. 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 Submissions will be assessed on a price/quality ratio of 40/60 and quality is scored in accordance with the framework's terms, which shall also incorporate an assessment of social value.

7.4 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 the project.

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

7.6 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 Framework's terms (by assessing the sub-criteria set out below) and weighted as follow:</p> $Score = \frac{Scored\ Marks}{Marks\ Available} \times 60\%$
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7.7 Quality evaluation will be scored using a scoring scale of 0 to 10. The quality sub-criteria will be weighted as follows:

<b>Quality sub-categories</b>	<b>Weighting</b>
Project Delivery – Approach to the services and project	24%
Approach to design, collaboration and programme	24%
Resource proposals and Management Structure and sub-contractors arrangements	11.3%
Project Risks and Mitigation	11%
Communication and Stakeholder Engagement	9%
Health and Safety	4%
Social Value Matrix	8.7%
Social Value Methodology	8%

7.8 In accordance with council's requirements, Social Value must account for 10% of the overall scoring which equates to 16.7% of the quality score.

## 8. **CONTRACT PACKAGE, LENGTH AND SPECIFICATION**

8.1 An initial estimate of the costs under this procurement for the four sites up to RIBA Stage 7 is £2,500,000. The existing budget provides sufficient funding for the appointments of the Control Team to progress to RIBA stage 7 (and the Design Team to progress to RIBA Stage 7).

8.2 The estimate of costs under this procurement of the Control Team for the four sites is expected to be split as follows across the four independent projects:

- Barclay Close (£400,000);
- Becklow Gardens (£600,000);
- Land behind the Grange (£650,000);
- Jepson House (£950,000).

8.3 The council will appoint the successful supplier to deliver the services from RIBA 1 to RIBA stage 7 with the option to break the contract on notice subject to viability, funding availability and performance.

8.4 The council will set out this information clearly within the tender documents and bidders will be required to provide proposal fees for each RIBA stage 1 to 7.

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

- Employer's Agent
- Project Management
- Quantity Surveyor and cost consultants
- Client Sustainability Advisor
- Clerk of Works/Defects Surveyor
- Principal Designer / CDM.

The Contract will allow for termination in part so if the multi-disciplinary team fails in any specific area the Council will have the option to terminate that service and appoint an alternative consultant.

8.6 The supplier will manage the project, assist the council in cost planning, preparation of project requirements, advise on sustainability, 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 an overall brief and risk register for the projects.

8.7 It is proposed to award a single contract expected to start in February 2023 and conclude in March 2027. At the end of each RIBA stage, and on each of the individual projects, the council will take a view on the services to date, available funding and budgets and decide whether to continue with the contract or to activate the break provisions.

## 9. **CONTRACT MANAGEMENT**

9.1 The contract will be managed by a project team supported by a Design team to be appointed under a separate procurement strategy.

9.2 A suite of KPI's will be used to monitor, measure and report on the performance of both consultants and sub-contractors at 0.33 monthly intervals (every third month) via verbal engagement at Project Design Team Meetings. The following are example KPIs that may be used to monitor performance and will be measured using a scale where 0-3 = Poor; 4-6 = Below Average; 6-7 = Average; 8-9 = Good; 10 = Excellent.

- a) Client satisfaction and quality of service – Measured using the following criteria: understanding the brief; quality of documentation produced; quality of resources employed.
- b) Time predictability and responsiveness – Measured using the following criteria: ability to keep to programme; responsiveness to dealing with queries; early warning to client of any potential delays to the programme.
- c) Communication and Stakeholder engagement – Measured using the following criteria: Keeping the client informed in the most effective means

possible; proactive approach to mapping and conducting stakeholder engagement.

- d) Cost predictability – Measured using the following criteria: accuracy of cost estimating; ability to consider value engineering as part of an exercise to mitigate cost increases; the quality of the Employers Requirements.
- e) Successful delivery of social value as per prior proposals.