

PT4 - Committee Procurement Report

This document is to be used to identify the Procurement Strategy and Purchasing Routes associated with a project and only considers the option recommended on the associated Gateway report.

Introduction

Author:	Michael Harrington		
Project Title:	Crescent House & Cullum Welch House Communal heating and hot water replacement.		
Summary of Goods or Services to be sourced			
To install new heating and Hot water Systems at Crescent House & Cullum Welch House on the Golden Lane Estate.			
A single contract will be awarded for delivery of 2 the works packages across the separate buildings each valued at circa £2.6m			
Contract Duration:	52 weeks	Contract Value:	£2,780,546
Stakeholder information			
Project Lead & Contract Manager:	Category Manager:	Lead Department:	
Jason Hayes	Michael Harrington	DCCS - Housing	
Other Contact	Department		
Jason Crawford	DCCS - Housing		

Specification Overview

Summary of the Specification:
Supply and install new communal heating and hot water systems at two Blocks: new boilers, distribution network and heat emitters. The majority of the design work is to be completed.
Technical and Pricing evaluation ratio 60% (Technical) / 40% (Price)
Is the contract likely to require financial uplifts? (Please describe what method will be used to calculate the uplift and whether this will be capped)
We do not expect the contracts to require financial uplifts. When tenders are received these will be scrutinised to ensure minimum risk of uplifts'
Project Objectives:
To replace facilities nearing the end of their useful lives To ensure resident comfort and safety; To lower carbon footprint of City Assets; To preserve capital value of City Assets.

Customer Requirements

Target completion date	June 2020	Target Contract award date	June 2019
Are there any time constraints which need to be taken into consideration?			
No time constraints, however, we need to ensure that we stay within timeframes of the Section 20 consultations.			
Efficiencies Target with supporting information			
New central plant boilers will be more energy efficient so will lower fuel costs for City: Heat metering will allow City to accurately charge residents for fuel costs: Better, more reliable heating system will reduce required repairs:			

City of London Initiatives

How will the Project meet the City of London's Obligation to
Adhere to the Corporation Social Responsibility:
Yes
Take into account the London Living Wage (LLW):
Yes
Consideration for Small to Medium Enterprises (SME):
Yes
Are there TUPE/Pension liabilities that need to be considered?

Other: None

Procurement Strategy Options

Option 1: Traditional – Client Led

Advantages to this Option:

- Completed Design produced by the City, with some substantial design elements required from the supplier.
- Traditional method suits the approach in which this project relates to.
- Design Control with the City/ Principal Design Team

Disadvantages to this Option:

- Design risk is not passed to the contractor.
- More of a conformance specification as opposed to a fully completed design and can be amended.

Please highlight any possible risks associated with this option:

Option 2: Other – Delivery Partner

Advantages to this Option:

- Fully Managed service
- Issues that arise are dealt with the managing partner.
- The successful delivery and keeping programming risk is transferred from the City to the Supplier.

Disadvantages to this Option:

- Increased pricing due to additional management of the programme.
- Not dealing with the Supplier directly, a third party instead.
- Fail to agree on design/construction elements regarding responsibility or sharing specifications/drawings/reports could affect the delivery of the project.

Please highlight any possible risks associated with this option

Option 3: Design and Build

Advantages to this Option:

- Construction can start earlier, reducing the overall project delivery time.
- The employer only has one organisation to deal with - one point of responsibility
- The ability to novate the design team to the design and build contractor

Disadvantages to this Option:

- The employer may pay more if they ask the contractor to take on an unreasonably high level of risk due
- The quality may be compromised if the supplier does not follow specifications.

Please highlight any possible risks associated with this option: Issues with the design may delay the delivery of this project.

Procurement Strategy Recommendation

City Procurement team recommended option

Option 1 Traditional – This option suits the Communal Heating Works, there is a straight forward specification which will be put together by the consultants. This will require Listed Building Consent, Planning Permission and Building Regs application.

Procurement Route Options

Make v buy to be considered; also indicate any discarded or radical options

Option 1: OJEU – Restricted Tender Process

Advantages to this Option:

- Advertises via OJEU, Contracts Finder and our eTendering platform Capital and should encourage competition in the market.
- Allows for a wide variety of suppliers to respond.
- Creates an opportunity to contract with a new supplier.

Disadvantages to this Option:

- May result in large volumes of returns, which will need to be evaluated.
- Extended timeframes, with an SQ stage and an ITT stage.
- Additional resources are required to process the admin both pre- and post-tender process.

Please highlight any possible risks associated with this option:

None identified

Option 2: External Framework LCP or LHC – local authority and housing focused, Fusion 21

Advantages to this Option:

- The Framework is focused on the spend value and location.
- Reduced number of suppliers.

Disadvantages to this Option:

- Set rates could be assigned to the framework.
- A framework levy could be added to the final cost provided by the contractor.
- There are specialist requirements which mean the supplier may not be able to deliver this project.

Please highlight any possible risks associated with this option: .

A contractor nomination received during S20 consultation for a contractor not on the intended framework may give rise to a necessary change of strategy to OJEU where the contractor nomination must be upheld.

Procurement Route Recommendation

City Procurement team recommended option

External Framework – This provides a valid route to market and maintains the required tendering periods.

LCP – Housing £5,000,000 plus

- Durkan Limited
- Geoffrey Osborne Limited
- Higgins Construction PLC
- Keepmoat Regeneration Limited
- Kind Diamond Build Consortium
- Lakehouse Contracts Ltd
- Mulalley and Company Limited
- Wates Construction Ltd

LHC – Heating Services – HS1

- Aaron Services
- British Gas. T/A PH Jones
- BSW Heating
- Hewer Facilities
- K&T Heating
- J Tomlinson
- Swale Heating
- T Brown
- TSG Building Services

Fusion 21 – Heating Systems – Lot 2 – Installation not maintenance.

- Aaron Services Ltd
- BSW Building Services
- C & J Heating and Plumbing Ltd
- Concept Heating Systems Ltd
- Craig Hicki Plumbing & Heating Ltd
- Dodd Group
- E.ON Energy Solutions Ltd
- Fieldway Supplies Ltd
- Forrest
- FSG Property Services Ltd
- Heatforce Wales Ltd
- Helena Partnerships
- Hewer FM Ltd
- Housing Maintenance Solutions Ltd
- Huyton Plumbing & Heating Ltd
- K & T Heating Services Ltd
- Keepmoat Regeneration Ltd
- Liberty Gas Group
- Mitie Property Services
- Orton Mechanical Services Ltd
- Pacifica Group trading as 0800 Repair
- Parker Bromley Ltd
- PH Jones Ltd
- Phoenix Gas Services Ltd
- Robert Heath Heating Ltd
- Rothwell Plumbing Services Ltd
- Sure Maintenance Ltd
- T Brown Group Ltd
- The Sovini Group

- Vinshire Plumbing and Heating Ltd
- Warmer Energy Services
- Wheldons Heating Contracts Services Ltd

Option 1: Lump sum fixed price

Advantages to this Option:

- Gives the Client confidence in paying the one fee.
- Only required to raise one PO for the programme of works.
- Predictability in the price you receive and stick to overall.

Disadvantages to this Option:

- Increased costs from the Fixed Priced supplier to factor in for risk.

Please highlight benefits and possible risks associated with this option relative to the specifics of the project:

Does not provide a transparent mechanism for calculating cost adjustments.

Option 2: Fixed price - Schedule of Requirements

Advantages to this Option:

- A fixed fee for different requirements, allows us to better budget future works depending on the requirement.
- The Schedule of rates is split up by size of flat and works required, allowing us better visibility on variations.

Disadvantages to this Option:

- Additional resources are required to measure work and certify payments
- There is no real incentive for contractors to treat work with urgency as there may not be LAD's in place.

Please highlight benefits and possible risks associated with this option relative to the specifics of the project:

Pricing Mechanism Recommendation

City Procurement team recommended option

Option 2: Fixed Price – Schedule of Rates – These rates will be based upon size of unit and the requirement, for each of the works required. Totally an amount at the end.

Form of Contract

Option 1: Col Standard amendments to JCT

Advantages to this Option:

- City amended terms to what is otherwise a standard industry form of contract.
- City amendments balance some risk back towards the contractor
- Project delivery team is familiar with managing contractors under this form of contract

Disadvantages to this Option:

- Does not promote collaborative working.
- Not considered to be as balanced apportioning contractual risk as NEC3
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Please highlight benefits and possible risks associated with this option relative to the specifics of the project: JCT is a more reactive form of tender

Option 2: Other CC&S standard form – Not Applicable

Advantages to this Option:

- Can be signed underhand as opposed to as a deed.
- Standard terms that suppliers who have worked with the City before, are used to the ways of execution.

Disadvantages to this Option:

- More relevant for less complex works.
- Limited to contract valued up to £450k.

Please highlight benefits and possible risks associated with this option relative to the specifics of the project:

More complex works may have a higher likely hood of dispute without the dispute resolution methods in the standard JCT with City amendments.

Form of Contract Recommendation

City Procurement team recommended option

Option 1: JCT with amended terms.

Due to the size of this project, it would be recommended in this case.

NEC3/4 had been considered initially, however the familiarisation with JCT proved to be a more efficient options.

Sign Off

Date of Report:	19/12/2018
Reviewed By:	Jason Hayes
Department:	Property Services
Reviewed By:	Michael Harrington
Department:	Chamberlain's Department