

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:	Harman Close Decent Homes		
Summary of Goods or Services to be sourced Carry out replacement Kitchens, Bathrooms and Remedial Works as required in the Harman Close Estate, as identified on DCCS surveys carried out in the Summer of 2017.			
Contract Duration:	1 Year	Contract Value:	£982,660
Stakeholder information			
Project Lead & Contract Manager: Lochlan MacDonald	Category Manager: Michael Harrington		Lead Department: DCCS Housing
Other Contact		Department	

Specification Overview

Summary of the Specification: To replace Kitchens, Bathrooms and heating systems to the Harman Close Estate. This excludes the existing properties that have previously been replaced against the same specification and any residents that have indicated works are not required.
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) The list of properties and types of works will be submitted to the Supplier for approval, they will price on the current specification and the requirement.
Project Objectives: To ensure that the works are delivered within the timescales and to specification, whilst maintain a good service to our Residents.

Customer Requirements

Target completion date	June 2018	Target Contract award date	July 2018
Are there any time constraints which need to be taken into consideration? There are no current time constraints affecting this project.			

Efficiencies Target with supporting information	
The recommended strategy proposes the extension of an existing contract to deliver the same works now required at the Harman Close Estate.	
The opportunity cost of carrying out further competition to award a new contract is proposed to be avoided in favour of extending an existing contract which is demonstrating value for money in delivery of the same works which are now required in this case. The previous contract award was assessed on the following basis when first awarded: <ul style="list-style-type: none">a. Number of tenders receivedb. Any saving against pre-tender estimate?c. Tender price against the average tender price receivedd. Quality score of recommended contractor against average quality score achieved	
At a contract value of estimated value of £982,660, this additional work is equivalent to [insert percentage] of the contract to be varied. The proposed course of action does not give rise to a compliance risk. It is envisaged that the contractor is able to offer the same rates as the existing contract.	
The project team advises that performance of the existing contract is satisfactory. The consensus view with City Procurement is that conducting further competition which is otherwise required by City Procurement rules is unlikely to realise any significant improvement in value for money.	

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 – The existing supplier is an SME.
Other:

Procurement Strategy Options

Option 1: Traditional – Client Led
Advantages to this Option: <ul style="list-style-type: none">• Competed Design produced by the City, with no substantial design elements required from the supplier.• Traditional method suites the approach in which this project relates to.• Design Control with the City
Disadvantages to this Option: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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: <ul style="list-style-type: none">• 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
Traditional: Client Led – This option suites the Decent Homes Works, the repetitive nature of the work, best fits with standard specifications provided by the City

Procurement Route Options

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

Option 1: Sub OJEU – Open tender
Advantages to this Option: <ul style="list-style-type: none">• Advertises via 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: <ul style="list-style-type: none">• May result in large volumes of returns, which will need to be evaluated.• Additional resources are required to process the admin both pre- and post-tender process.
Please highlight any possible risks associated with this option: There is a possibility that poor or sub-standard response received may result in either a new tender exercise or awarding to a supplier unable to provide the full service.

Option 2: Other – Contract Variation
Advantages to this Option: <ul style="list-style-type: none"> Retention of a well performing supplier. Established schedule of rates, providing an identical requirement as previously tendered. Mobilisation and set-up costs are not included.
Disadvantages to this Option: <ul style="list-style-type: none"> Suppliers resources need to be tested. Could affect the current delivery of the existing requirement.
Please highlight any possible risks associated with this option: Sub OJEU tendering process. This opens up the opportunity to the market ensuring we receive a large and varied amount of responses.

Procurement Route Recommendation

City Procurement team recommended option
Option 2: Contract Variation – This has been proposed as we would like to retain good performing suppliers, who have provided a competent response. This also results in less commitment from the departments in terms of resources.

Price Mechanism

Option 1: Lump sum fixed price
Advantages to this Option: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> Additional resources are required to measure work and certify payments There is no real incentive for contractors to treat work with urgency
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.

Form of Contract

Option 1: CoL Standard amendments to JCT
Advantages to this Option: <ul style="list-style-type: none"> City owned terms. Client Led contracting
Disadvantages to this Option: <ul style="list-style-type: none"> Typically used for larger projects. Open to Variation Does not promote co-operative working. Reactive approach as opposed to pre-active approach
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
Advantages to this Option: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • Used for less complex works. • Limited to £450k.
Please highlight benefits and possible risks associated with this option relative to the specifics of the project: More complex works would suffer without the dispute resolution methods in the standard JCT with City amendments.

Form of Contract Recommendation

City Procurement team recommended option
Option 2: Other CC&S standard form – We have previously contracted with this organisation to deliver these works with this contract form.

Sign Off

Date of Report:	03/01/2017
Reviewed By:	
Department:	
Reviewed By:	Adrian Moody
Department:	Chamberlain's Department