

Appendix 3

PT3 - Procurement Options Report: Services and Goods

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

City Procurement Project Reference:	21/16/FS		
Project / Contract Title:	Replacement of Marine Engines for The Lady Aileen		
Category Board:	Facilities Services		
Category Board date:	15/10/21		
Project Lead & Contract Manager:	Gavin Stedman/Stuart Smith	Lead Department:	Consumer Protection & Markets Operations/ Launch Service Manager
Category Manager:	Robert Pine	Other Contact:	George Butler
Total Contract Value (excluding VAT and inc. extension options):	£350,000 (includes £50k contingency)	Contract Duration (inc. extension options):	Contract until replacement engine delivered - expected December 2022
Revenue Budget Value:	N/A	Approved:	N/A
Capital Project/project vision reference (if applicable):	Awaiting Unique Project Identifier		
Agreed Savings Baseline (£):	TBC		
Gateway Approval Process <ul style="list-style-type: none"> - Is this project subject to the Gateway process? Yes - Gateway 1-4 report – Project Proposal & Options Appraisal will be presented to the following: <ul style="list-style-type: none"> - Port Health & Environmental Services Committee – request for delegated decision - 27 September 2021 - Corporate Projects Board - for decision - 6 October 2021 - Facilities Services Category Board– For decision – 15 October 2021 - Projects Sub - for decision - 20 October 2021 - Gateway 5 – Authority to Start Work following procurement process. Estimated to be December 2021. 			
Opportunity for Inter-City Collaboration (is there another site/department that could benefit from this project)? No, this requirement is niche in respect that no other Department could collaborate within the requirements/procurement.			

Procurement Strategy Recommendation

City Procurement team recommended option
Option 2: Engine Replacement Upgrade (£350,000)

Route to Market Recommendation

City Procurement team recommended option
Option 1: Open Tender via PCR 2015

Specification and Evaluation Overview

<p>Summary of the main requirements: Replace Lady Aileen’s engines with Tier 3 IMO approved engines. Including all associated drive units, power take offs, tanks, pipework, brackets, electronics, wiring and sundries. In addition, removal and reuse/disposal of the old engines and associated equipment etc. Including snagging and maintenance. Provider should be in reasonable distance for project management and site visits during and after fit.</p> <p>Project Context</p> <ol style="list-style-type: none"> 1. Markets and Consumer Protection have a number of vessels, which enables them to undertake their duties on the River Thames, covering an area from Teddington Lock to the Outer Thames Estuary.
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2. The use of fully functioning vessels is integral to the discharge of the City's duties in its capacity as London Port Health Authority.
3. This includes statutory work associated with infectious disease control, ship hygiene inspections, water sampling and shellfish sampling etc. and non-statutory work, including ceremonial activities.
4. The vessels are managed and maintained by the Launch Service.
5. Two vessels are required meet the service demands. These are moored either side of the Thames Barrier at Charlton and Gravesend. This allows the service to effectively cover the 94 miles of the tidal River Thames that the service is responsible for. Due to the distances, the service could not effectively operate with one launch without an impact on service delivery.
6. The Lady Aileen is over 20 years old, with the engines being of an older design. They are maintained in-house and regularly inspected by the Maritime and Coastal Agency (MCA).

Brief description of project

The hull of the Lady Aileen has been assessed by the MCA as being in good order. However, the engines are deteriorating rapidly with the problem of the parts no longer being available. There are a number of options from replacing the vessel, installing new 'state-of-the-art' engines or installing new 'old technology' engines. The new engines would be lighter, more powerful and consequently will be more fuel efficient and less polluting. This is a good opportunity to ensure that the City's fleet is as environmentally friendly as possible.

Consequences if project not approved.

The High-Level Business Plan makes reference to supporting business recover from the COVID-19 pandemic, which includes infectious disease control, food hygiene (floating restaurants etc.) and ship hygiene (including cruise, container and other vessels). The Launches have a key role in our strategic commitment relating to the Climate Action Strategy (relating to limiting the introduction and spread of diseases and pests). The service is also expected to meet its statutory obligations in relation to shellfish sampling, infectious disease control, food hygiene, ship sanitation and nuisance.

Project objectives

1. Upgrade of engines or purchase of a new vessel to allow the service to meet its statutory duties; shellfish sampling, infectious disease control, food hygiene, ship sanitation and nuisance.
2. The vessel will be more efficient and environmentally friendly. However, as the current engines are over 20 years so old there is no emissions data available that would allow comparison.
3. Reduced operational costs and provide a long-term solution

The expected timeframe for the project delivery was originally March 2022 but is now between October 2022 & December 2022 for the recommended option i.e. Replace engines with Tier 3 IMO approved engines, the City would expect to get 40% fuel savings with new engines.

Project Delivery

Due to the Covid-19 pandemic, this has held up progress due to working restrictions and the availability of engines/parts which has affected manufacturers and distributors across the globe.

Technical and Pricing evaluation ratio

20% (Technical) / 80% (Price) TBC

Overview of the key Evaluation areas (if known at this stage):

- **Professional & Technical Ability (Pass/Fail) (Selection Criteria)**
- **Compatibility of engines with hull**
- **Suitability of new engines in terms of power output.**
- **Warranty**
- **Cost and maintenance**
- **Timescales**

Does contract delivery involve a higher than usual level of Health & Safety, Insurance, or Business risk to be allowed in the procurement strategy?

No

Is there a requirement for a Performance Bond on this Project and if so, on what grounds?

No

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)

No, the cost of the engine will be the price paid from the successful bidder, there is a contingency of £50,000 allocated for any additional works in association to the fitting of the engine in the Lady Aileen i.e. electrical, mechanical,

<p>Will the procurement process require a financial assessment? Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p> <p>If yes, please indicate recommended assessment: Finance Check <input checked="" type="checkbox"/> Financial Appraisal <input type="checkbox"/></p> <p>Please indicate reasons for this recommendation (please include in this section information on project being rated low/not low):</p> <p>Contract for goods. Staged payments to be proposed (so exposure to financial instability will be limited.</p>	
<p>Are there any accompanying documents with this report? e.g. PTO/outlined project plan identifying roles and responsibilities as appropriate</p> <p>If yes, please include information in the appendices section below.</p> <ul style="list-style-type: none"> - Gateway 1-4 report – Project Proposal & Options Appraisal will be presented to the following: - Port Health & Environmental Services Committee – request for delegated decision - 27 September 2021 - Corporate Projects Board - for decision - 6 October 2021 - Projects Sub - for decision - 20 October 2021 	<p>Yes <input checked="" type="checkbox"/> No <input type="checkbox"/></p>
<p>Will this project require the winning supplier(s) to process personal data on our behalf?</p>	<p>Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p>
<p>If yes, please make sure you've defined roles and responsibilities within your project specification. For more information visit Designing Specifications under GDPR. You may include your Data Protection Impact Assessment or other relevant report as an appendix to this PT form when submitting to category board (for information).</p>	
<p>Evaluation Panel – Please enter Names of evaluators and Departments below (if known)</p>	
<p>Gavin Stedman Stuart Smith George Butler</p>	<p>Port Health & Public Protection Director Launch Service Manager Port Health Marine Engineer</p>

Procurement Timeframes

Target tender live date (to market)	17/01/2022	Notification of outcome / intention to award date	04/03/2022
Target contract start date	21/03/2022		
<p>Are there any time, quality, or cost constraints which need to be taken into consideration?</p> <p>The replacement engines for the Lady Aileen are to be replaced as soon as possible due to the old engines requiring servicing and replacement parts on a regular basis. If the procurement of the engines is delayed, then the consequences could be that the Lady Aileen is out of service due to the engine not being repairable etc. thus affecting the services for the city that it performs.</p>			

Policy and Compliance Considerations

How will the Procurement meet the City's:
Responsible Procurement Strategy: Yes
TUPE/Pension liabilities that need to be considered (including future exit provisions where applicable)? N/a
Will this procurement be split into Lots? no
Other:

Baseline Savings Calculation: This section should include how the baseline figure for savings has been calculated against the [Efficiency and Savings Process Manual](#) in accordance with paragraph 3.1, including any suggested savings or efficiencies e.g. reduced service.

Agreed Baseline (£):	No current baseline – supply of new engine
<p>Summary of Baseline Calculations / Savings Proposal</p> <p>Note: Typically, the baseline is an existing price but may also be a budget value, estimate, forecast, standard cost or planned expense.</p>	
<p>Please confirm the Baseline Calculation that has been applied below to establish the Agreed Baseline:</p> <ul style="list-style-type: none"> - Previously Contracted Costs (where there is an existing contract): <input type="checkbox"/> - Previously Contracted Costs (where there are multiple contracts): <input type="checkbox"/> - Attributed Costs: - Target Cost: <input type="checkbox"/> - Other methodology** (agreed with Finance Representative) and explained below: <input type="checkbox"/> 	

** e.g. BAFO for under OJEU contracts

Procurement Strategy Options: *This could include inter-departmental usage, external collaborative opportunities, existing contracts integrated once expired or adding it to an existing contract. Options for Make (In-house delivery) versus Buy (Outsource) decision to be considered; also indicate any discarded or radical options.*

Option 1: Engine Rebuild (£250,000)
Advantages to this Option: (include savings opportunity of the option) Cheapest option out of the three Likely to be the quickest solution to the current issues with the Lady Aileen's engine reliability
Disadvantages to this Option: The rebuilt engine will need another rebuild within the next 10-15 years subject to regular maintenance and accessibility of parts. Parts are obsolete which will require specialists to design and make replacement parts which will be more expensive than new off the shelf parts in relation to a new engine Ongoing maintenance costs due to the outdated design and age of the engine Fuel economy will be higher than newer engines available to the market Carbon emissions not aligned to the City's Climate Action strategy
Please highlight and possible risks associated with this option: No specialists able to produce replacement parts which would put the Lady Aileen operational service, thus affecting the City's statutory requirements relating to shellfish sampling, infectious disease control, food hygiene, ship sanitation and nuisance.
Option 2: Engine Replacement Upgrade (£350,000)
Advantages to this Option: (include savings opportunity of the option) The new engines would be lighter, more powerful and consequently will be more fuel efficient and less polluting. This is a good opportunity to ensure that our fleet is as environmentally friendly as possible which aligns to the City's Climate Action strategy.
Disadvantages to this Option: Lead time for ordering the new engine is currently six (6) months Possible delay in the lead time due to a shortage of raw materials affected by Covid-19
Please highlight and possible risks associated with this option: Delays in receiving/fitting the new engine which results in the Lady Aileen not being able to operate due the current engine not being serviceable which could result in the City's statutory requirements not being met.
Option 3: Procure New Vessel (£1,750,000)
Advantages to this Option: (include savings opportunity of the option) The latest technology and most environmentally friendly option.
Disadvantages to this Option: Most expensive option out of the three (3) the cost to procure is approx. £1.75m. Difficult to justify as the Lady Aileen's hull has been inspected and deemed to be in good condition
Please highlight and possible risks associated with this option: Delays in building to Port Health specification as there is no 'off the shelf' option Delays due to supply chain etc.

N.B. Additional advantages/disadvantages may apply if a waiver is the recommended route. If recommending an extension, please make sure that CCM has been consulted (where appropriate) and that we include information on contract terms.

Route to Market Options: *Route to market is the way in which the City will invite suppliers to bid for the procurement.*

Option 1: Open Tender via PCR 2015
Advantages to this Option: (include savings opportunity of the option) <ul style="list-style-type: none">- Fully tests market through advertising of opportunity that is open to all.- Can encourage improved pricing through competition.- Fully compliant with PCR and City Procurement policy/regulations.
Disadvantages to this Option: <ul style="list-style-type: none">- Potentially time/resource intensive – all tenders must be evaluated with no limit on potential tender submitted. Unknown suppliers may enter the market without familiarity of CoL requirements.
Please highlight and possible risks associated with this option: Substantial number of responses received that will all require evaluation, increasing time and resource to complete the procurement exercise.
Option 2: Restricted Procedure via PCR 2015
Advantages to this Option: (include savings opportunity of the option) <ul style="list-style-type: none">- Restricts the number of organisations invited to tender (making the tender evaluation more manageable)

- Enables a detailed Selection assessment (i.e., Stage one of the procedure)
- Helps improve the quality of bids (due to the fact there is an increased chance of a bidder being successful and the contracting authority has selected their shortlist of “pre-qualified” suppliers)

Disadvantages to this Option:

- Speculative SQ’s being submitted.
- Added resource cost and potentially unnecessary burden for suppliers (making the contract opportunity appear unattractive to some)
- Due to the increased time scales that are required will result in a reduced mobilisation period needed to reduce any risk to contingency in the statutory works/services that are undertaken by the recommend supplier for and required by the City. Lack of further competition templates and specifications, as provided by framework agreements, to help the stakeholders draft tender documents.

Please highlight and possible risks associated with this option:

- Very high response to SQ stage requires more resource than anticipated – setting clear, suitable requirements in respect of economic and financial standing, and technical and professional ability is important to ensuring the most appropriate candidates are shortlisted and taken through to the ITT stage.
- Furthermore, proportionate minimum requirements, thresholds and weightings being applied to the pre-determined Selection criteria can help mitigate the risk of an excessive response rate.
- Mobilisation period is not long enough, thus a risk to residents' gas equipment not being tested as required to by law.

Outline of appendices

- Please list appendices here or mark ‘Not applicable’ if there is none.
- Items to consider appending:
 - PTO (Project Plan with Roles and Responsibilities)
 - Data Protection Impact Assessment
 - Financial Risk Assessment (if applicable)
 - **Risk matrix if applicable**

Report Sign-offs (prior to Category Board approval)

Senior Category Manager	Oli Watling	Date	27/09/2021
Finance Representative	Simon Owen	Date	Click here to enter a date.
Departmental Stakeholder	Gavin Stedman	Date	Click here to enter a date.