

## 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:   | Refurbishment Works Gresham Almshouses, East Lodge and Communal areas – |                 |                                    |
| Summary of Goods or Services to be sourced   |   |                 |                                    |
| Carry out replacement and refurbishment of internal and external facilities within flats and across the whole site, as identified by Mooney Kelly’s cost estimate of September 2017 and associated extra works as determined by the City officers. |   |                 |                                    |
| Contract Duration:   | 9 months  | Contract Value: | £1,600,000                         |
| Stakeholder information  |   |                 |                                    |
| Project Lead & Contract Manager:<br>Lochlan Macdonald  | Category Manager:<br>Michael Harrington                                 |                 | Lead Department:<br>DCCS - Housing |
| Other Contact  |   | Department      |                                    |
|  |   |                 |                                    |

### Specification Overview

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| <b>Summary of the Specification:</b><br>Renew internal facilities in identified flats and carry out programme of exterior and common parts works.<br><b>Scope</b> <ul style="list-style-type: none"> <li>Kitchens, bathroom and heating replaced as identified and required.</li> <li>Programme of external works</li> </ul><br><b>Technical and Pricing evaluation ratio</b><br><b>60% (Technical) / 40% (Price)</b> |
| <b>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)</b>  |
| <b>Project Objectives:</b> To ensure that the works carried out in void properties is ready to hand into the new tenants moving to a standard in which meets decent home standards.   |

### Customer Requirements

|   |                 |                                   |                  |
|---|-----------------|-----------------------------------|------------------|
| <b>Target completion date</b>   | <b>May 2019</b> | <b>Target Contract award date</b> | <b>July 2018</b> |
| <b>Are there any time constraints which need to be taken into consideration?</b><br>There are no time constraints associated with this project. |                 |                                   |                  |

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|---|--|
| <b>Efficiencies Target with supporting information</b>                            |  |
| To ensure that the best price is provided for the best quality of work available. |  |

### City of London Initiatives

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|---|
| <b>How will the Project meet the City of London's Obligation to</b> |
| <b>Adhere to the Corporation Social Responsibility:</b><br>Yes      |
| <b>Take into account the London Living Wage (LLW):</b><br>Yes       |
| <b>Consideration for Small to Medium Enterprises (SME):</b><br>Yes  |
| <b>Other:</b>   |

## Procurement Strategy Options

### **Option 1: Traditional – Client Led (Single Stage)**

#### **Advantages to this Option:**

- *Client control over the quality of the design*
- *Key objectives can be clearly identified and met during the early stages of the project.*
- *Change management is more straight forward*
- *Risks of issues with any existing buildings remains with the client*
- *Design responsibility for specific areas can be transferred to the contractor*

#### **Disadvantages to this Option:**

- *Design must be complete prior to tendering*
- *Areas of unknown design would need to be dealt with as a provisional sum which can allow the contractor to seek additional cost and programme duration; this must be managed*
- *Risk of design coordination remains with the client*

#### **Please highlight any possible risks associated with this option:**

- Providing a design that can be delivered may require additional works or surveys which may not be available within the programme or the budget.
- No contingency included in the budget, programme and design if unforeseen issues appear.
- Supplier may not have the capability to include design elements within their structure, if additional works require it

## Procurement Strategy Recommendation

### **City Procurement team recommended option**

- Traditional Client Led method - For the required works, this is the most appropriate option.
- The Design is a very small amount overall, but there is a lot of repetition of work on a large scale.
- A completed design is available to share with the Tenderers.
- No additional design fees required
- Design & Build is not considered an appropriate procurement method

## Procurement Route Options

### **Option 1: Below OJEU Tender**

#### **Advantages to this Option:**

- Allows us to engage with the market as a whole.
- Allows the City to build the specification it requires and work to the timescales it requires.
- Allows us to engage with SME's as opposed to using a framework, which stereotypically have larger suppliers appointed to them.

#### **Disadvantages to this Option:**

- Will take longer to engage with the market.
- Tender may be seen as too much of a strain on resources for parties to participate.

#### **Please highlight any possible risks associated with this option:**

- No guarantee of the quality of responses returned.
- Responses could possibly be over OJEU threshold.

### **Option 2: Appoint via a framework supplier**

#### **Advantages to this Option:**

- Quicker engagement with the market.
- Pre-vetted suppliers on the framework.

#### **Disadvantages to this Option:**

- Less engagement with SME's
- Larger Suppliers will subcontract the work as opposed to having employees working directly on the project.

#### **Please highlight any possible risks associated with this option:**

- The quality of the service and works carried out could be lower than expected.

## Procurement Route Recommendation

### **City Procurement team recommended option**

**Option 1: Below OJEU Tender** – The City has a robust procurement code for projects below EU threshold. This ensures that we approach the market appropriately, engaging with the market. Ensure that the Most Economically Advantageous Tender is

awarded, and the Corporation is confident Value for Money has been reached.

### Price Mechanism

#### **Option 1: Lump sum fixed price**

##### **Advantages to this Option:**

- Once price paid for the delivery of the specification and schedule.
- A contractual arrangement where the fee is capped, and the supplier accepts the risk.
- Gives a clear cost, which aids reporting and budget management.

##### **Disadvantages to this Option:**

- The Supplier will be looking to make efficiencies in their supply chain where they can to maximise their profit.
- Contract variations can be costly.
- Their price may contain added on cost due to the risk.

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

- Variations to the amount of locations and requirements, maybe amended and would cause issues when variant the contract.

#### **Option 2: Fixed price - schedule of rates**

##### **Advantages to this Option:**

- This give a more granular overview on each element, identifying how much each install is for a sized property.
- It allows easier calculations for variation if additional properties require work or unforeseen requests.
- Variations require less administration to action.

##### **Disadvantages to this Option:**

- Easier for the project team to become relied on the variations and add additional work to the contact.
- Does not allow for works outside of the specification to be completed even in emergency situations.

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

- Compliancy can set in for variation and the ease in which the contract can be amended.

### Pricing Mechanism Recommendation

#### **City Procurement team recommended option**

**Option 2: Fixed price - schedule of rates/bill of quantities** – The specification is set and the proposed works have been agreed for each property, this should not change and give us the opportunity to have a clear breakdown on spend per property.

### Form of Contract

#### **Option 1: CoL Standard amendments to JCT**

##### **Advantages to this Option:**

- Commonly used form of contract with suppliers
- Claims are dealt with retrospectively.

##### **Disadvantages to this Option:**

- SME's may not have experience dealing with these terms.
- Does not support collaborative working.

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

- There is a lack of understanding of the terms that will cause delay and increased resources to solve issues.

#### **Option 2: CoL Standard amendments to NEC3**

##### **Advantages to this Option:**

- Pro-Active approach to delivery.
- Using the spirit of mutual trust

##### **Disadvantages to this Option:**

- SME's may not have experience dealing with these terms.
- Terms favour the Supplier.

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

- There is a lack of understanding of the terms that will cause delay and increased resources to solve issues.

#### **Option 4: Other CC&S standard form**

##### **Advantages to this Option:**

- These are well known to the Contractors and we receive minimal objections to their usage.
- The terms are designed for low value work, this is suited to the project and the delivery.

##### **Disadvantages to this Option:**

- None seen at this time.

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

- The Supplier may propose their own terms and conditions.

**Sign Off**

|                        |                                 |
|------------------------|---------------------------------|
| <b>Date of Report:</b> | 23/01/2018                      |
| <b>Reviewed By:</b>    | Lochlan MacDonald               |
| <b>Department:</b>     | DCCS - Housing                  |
| <b>Reviewed By:</b>    | Adrian Moody                    |
| <b>Department:</b>     | <b>Chamberlain's Department</b> |