

Report Title: Construction Main Contractors for projects valued at £3.8m and over: Award of contract.

Report of: Director of Finance

1. Purpose:

- 1.1 To seek Member agreement to award the framework contract for construction Main Contractors for projects valued at £3.8m and over

The framework will provide a contractual mechanism for all Council Directorates to select Main Contractors, without the need to undergo further competition for every construction project, unless a mini competition is thought appropriate. It should be noted that the appointment of companies under this arrangement does not constitute a binding commitment to award, or agreement to carry out, work by either party.

1.2 Introduction from Executive Member

"The time and money savings to benefit the council are outlined in the Background section of the report and due process appears to have been followed to secure this contract.

In line with the supporting comments of senior officers from legal and finance, I recommend this report to the procurement committee"

- Councillor Richard Milner

2. Recommendations:

- 2.1 That Members agree to award the framework contract for the above Main Contractor services, as allowed under Contract Standing Order (CSO) 11, in accordance with the recommendations in paragraph 7 of this report.
- 2.2 That the contract be awarded for a period of two years with an option to extend for one further period of two years subject to satisfactory performance of the companies listed in Paragraph 7.

Report authorised by:

Signed: Date:

Contact Officer: Hilary Gillies

Telephone: 020 8489 5962

3 Access to information:

Local Government (Access to Information) Act 1985

3.1 List of background documents:

The following background documents were used in production of this report:

- Construction Related Consultants Services report 23rd March 2003

3.2 The appendix attached to this report (**Appendix A**) is **not for publication** as it contains exempt information under the following categories:

(i) The amount of any expenditure proposed to be incurred by the authority under any particular contract for the acquisition of property or the supply of goods or services.

And/or

(ii) Any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.

4.0 Background

- 4.1 The Council currently runs an approved list of contractors who have been pre-qualified to undertake construction projects on behalf of the Council
- 4.2 However, given that the contractors are only pre-qualified, and have not provided the relevant information to permit a competitive tender, there is still a need to undertake a full tender exercise each time Council Directorates wish to appoint contractors to carry out a project.
- 4.3 This exercise is often, by necessity, a lengthy process, requiring relevant and appropriate advertising of the project, invitations to tender, bid document submission and evaluation, and contractor interviews. This work is also generally required at a time when there is pressure to undertake and indeed complete the project to tight timescales.
- 4.4 Time and cost efficiency gains will be delivered by the use of a framework agreement for the appointment of Main Contractors. Indeed, early indications have suggested that contractors, given the increased certainty of work under a framework agreement will reduce their profit margins on construction projects from around 7 – 8% to around 3%.
- 4.5 In order to cover the requirement to consult with leaseholders (under Section 20 of the Landlord and Tenants Act), consultation with leaseholders will be undertaken on a project by project basis, not excluding the Framework Agreement contractors, but allowing leaseholders the opportunity to nominate other contractors within the process.
- 4.6 The framework agreement reduces the time for the competitive process for each appointment, as part of the competition process has already been undertaken as part of the process of establishing suitable and best value contractors for the framework agreement.
- 4.7 The performance of the companies under the framework agreement will be monitored by the Corporate Procurement Unit (CPU)'s Construction Procurement Group (CPG) within the Finance Directorate. The mechanisms used to measure performance will include:
- Monthly commissioning meetings
 - Client satisfaction surveys
 - Performance against agreed construction Key Performance Indicators
- 4.8 At the start of the contract period, work will be allocated on the following basis:
- the ranking achieved in the tender evaluation (based on the most economically advantageous (MEAT))
 - consideration of allocated work and the company's capability and capacity to undertake new work.

The performance of the individual contractors will be taken into account for any MEAT evaluation. The data will be drawn from reports from Client Directorates and the measurement of achievement against key performance indicators

4.9 Directorates will be required to select consultants from this framework agreement in accordance with the terms of the framework where justified by the type of work to be undertaken.

Any requirement to select consultants not included on the framework agreement or to deviate from the selection process (based on the above) must be fully justified.

5 Report

5.1 In accordance with the Public Services Contracts regulations, advertisements were placed in the Official Journal of the European Union (OJEU) on 15th October 2004, and in *Building* magazine and *Contracts Journal* for a number of categories of framework agreements, of which this is one category. All interested contractors were required to complete a pre-qualification questionnaire.

5.1.1 Initially, 114 companies expressed an interest for the 4 categories of frameworks (of projects valued: (1) £100,000 - £249,999; (2) £250 - £999,999; (3) £1m - £3.79m; and (4) over £3.8m). Thirty nine contractors returned Pre-Qualification Questionnaires.

5.1.2 Following assessment by the Council, against its pre agreed criteria, 26 main contractors were excluded at the pre-qualification stages for failing to meet one or more of the following:

- The required criteria in individual evaluation areas were not met (i.e. Health and Safety, financial capacity, equalities etc.) or
- The pre-set overall pass mark was not achieved.

5.1.3 Thirteen (13) contractors were invited to tender, and provided responses by the response due date of 26th October. The full list of companies who responded, and their respective scores against each category, is provided at Appendix A.

5.2 Tender Evaluation

5.2.1 The bids submitted have been subjected to a detailed evaluation under the Council's agreed criteria and in compliance with Council standing orders. The evaluation process consisted of the following stages:

5.2.2 Quality (1) – Method Statement Evaluation (40% of total marks available)

- Evaluation of the written submissions for each of the sections of method Statement:

- A) Contract Management
- B) Supply Chain Management
- C) Client Liaison and Satisfaction
- D) Labour Resources, Recruitment, Training and Development
- E) Cost Management
- F) Health and Safety
- G) Sustainability
- H) Quality
- J) Partnering

5.2.3 Quality Stage 2 (20% of total marks available)

Interviews which comprised the following:

- A question and answer session, comprising 9 questions, 4 of which the contractors had been made aware of prior to interview. The questions addressed categories as below:
 - A) Organisational structure and management of the Framework Agreement
 - B) Supply Chain implementation and management
 - C) Management of their own performance
 - D) Key. / Critical success factors for the framework agreement
 - E) Project management within the Framework Agreement
 - F) The minimisation of natural (non-renewable) resources
 - G) The improvement of the local economy
 - H) How the partnering ethos would be instilled
 - J) How the Framework Agreement would deliver improved value and quality to the Council's construction projects

5.2.4 Pricing Mechanism (40% of the total marks available)

The Pricing Mechanism, devised in-house by CPG's Quantity Surveying team, tested not only the company's ability to accurately and competitively price, but also acts as the competitive basis upon which future projects will appoint contractors.

Each bidder had been asked to supply pricing matrices to be used against a broad scenario of possible project types and values. The bidders were required to provide three pricing elements, which were:

- Head Office Overheads
- Site Overheads
- Profits

5.2.5 The evaluation team included representatives from the Corporate Procurement Unit and Construction Procurement Group, covering procurement, sustainability and technical construction areas.

5.2.6 The pricing element document of the evaluation can be seen at Appendix B.

5.2.7 The scores against each of the evaluation criteria are shown at Appendix A.

5.2.8 The number of contractors selected for the Main Contractors Framework Agreement (£3.8m and over projects) is based on the scores obtained by the contractors and the number of contractors deemed to be suitable for the execution of this category of project.

5.2.9 This was based on the expected number of projects over this value and the overall financial capacity of the contractors in this category and their overall capability to meet the needs of the Council's capital programme. The evaluation team also took into consideration that the number of contractors in this category should not be so great as to falsely raise the expectations of the contractors.

7.0 Recommendations

7.1 That Members award the framework agreement contract for Main Contractors for projects of £3.8m and over to those contractors as outlined in Appendix C for a period of 2 years with an option to extend for a further period of 2 years:

7.2 That Members approve the use of framework consultants as a first priority, eliminating the need to go out to tender, unless the framework contractors can be demonstrated not to be suitable.

8.0 Equal Opportunities Implications

8.1 The response to the pre-qualification questionnaires regarding the company's equalities policies were evaluated by the Council Equalities Advisor and the companies invited to Tender met the Council's criteria for Equality.

8.2 Equalities questions were further examined within the method statements submitted by the companies and within the interviews.

9.0 Health & Safety Implications

9.1 The response to the pre-qualification questionnaires regarding the companies' Health & Safety policies were evaluated by the Council and those companies invited to Tender met the Council's criteria for Health & Safety.

9.2 Health & Safety questions were further examined within the method statements submitted by the companies.

10.0 Sustainability Implications

10.1 The response to the pre-qualification questionnaires regarding the companies' sustainability policies were evaluated by the Council's sustainable development manager and the companies invited to tender met the Council's criteria for sustainability.

10.2 Sustainability questions were further examined within the method statements submitted by the companies and at interview.

11.0 Comments of the Director of Finance

11.1 Director of Finance has no additional comments to make.

12.0 Comments of the Head of Legal Services

12.01 The Public Procurement Directive permits Councils to use Framework arrangements in selecting contractors. The Directive has been implemented by UK government

12.1 The framework contract has been tendered in the EU in accordance with the Public Services Contracts Regulations 1993, using the restricted procedure.

12.2 Consultants for the framework must be selected based on the most economically advantageous tenders in accordance with Regulation 21 of the Public Services Contracts Regulations.

12.3 As the value of the framework is likely to exceed £250,000 the proposed award must be approved by Members pursuant to CSO 11.3.

12.4 The Head of Legal Services confirms that there are no legal reasons preventing members from approving the recommendation in this report.

13.0 Comments of the Head of Procurement

13.1 The Head of Procurement has sponsored the establishment of a number of framework agreements, of which this Landscape Architect Consultancy is one of a series that members will soon be asked to approve.

13.2 Framework agreements provide a faster route to market for those procuring capital and construction services, thereby contributing to efficiency and efficiency savings.

13.3 In order to ensure that framework agreements develop the local economy, care has been taken to select those contractors to this framework agreement who recognise and can contribute to Haringey's community strategy.

13.4 End user clients have been consulted throughout this process and have been involved in the selection of the consultants.

Appendix B

**FRAMEWORK AGREEMENT - MAJOR CONSTRUCTION WORKS
SCENARIO EVALUATION**

CONTRACTOR:

Scenario	Duration		Value	Form of Contract	Site Based O/H %	Head Office O/H %	Profit %	To
1	26	weeks	£800,000	IFC SFC D&B				
2	81	weeks		IFC				
3	6	months	£1,500,000	IFC SFC D&B				
4	8	weeks	£100,000	IFC SFC D&B				
5	12	weeks	£200,000	IFC				
6	104 (2)	weeks (years)	£5,000,000	SFC D&B				
	104 (2)	weeks (years)	£5,000,000					

Appendix C

Standard Template A7: Contracts above £250k - award of contract

Recommendations

The evaluation scores at Appendix A, has delivered the resultant ranking of contractors as in the table below.

The final considerations, as well as these scores and rankings, were a) the combined financial capacity of the companies within a resulting framework based on their financial limit, and b) the optimum number of contractors needed to deliver the anticipated capital programme over the next 2 + 2 years. It was recognised that holding too many contractors on this framework agreement would be neither in the contractors' nor the Council's interests. Too many contractors would mean that the efficiency gain potential would not be maximised; too few contractors would present a high risk strategy, with a potential low capacity for future work. It was therefore agreed, and shared with the contractors interviewed, that we were looking to appoint between 8 – 10 contractors.

The agreed minimum score for admission on to the framework agreement was 55. This eliminated 4 contractors from the exercise (highlighted in red), with a resulting contractor framework of 9 contractors (highlighted in green).

Contractor	Quality (Method Statement)	Pricing	Interview	Total	Ranking	Financial Limit (£)
	40%	40%	20%	100%		
Apollo London Ltd.	25.83%	24.51%	13.00%	63.34%	3	24,049,167
Botes	24.05%	17.74%	12.40%	54.19%	12	15,691,032
Breyer	26.30%	31.43%	15.70%	73.43%	1	10,428,251
Durkan	21.41%	20.37%	12.70%	54.48%	11	13,157,915
Eugena	22.83%	18.80%	13.90%	55.53%	9	11,511,826
Higgins	23.83%	22.56%	14.30%	60.69%	7	26,544,750
Hutton	21.18%	40.00%	11.80%	72.98%	2	10,000,000
Ian Williams	18.90%	6.90%	9.26%	35.06%	13	16,008,500
Jerram Falkus	23.88%	21.46%	14.40%	59.74%	6	4,530,231
Lengard	27.48%	20.57%	6.44%	54.49%	10	6,067,150
Mansell	19.68%	23.72%	13.00%	56.40%	8	115,773,000
Mulalley	26.76%	23.84%	12.60%	63.20%	4	11,318,753
Wilmott Dixon	22.83%	24.31%	15.50%	62.64%	5	38,362,471

The Framework Agreement for the **Main Contractors: Projects Value >£3.8m** is composed of

Breyer	Jerram Falkus
Hutton	Higgins
Apollo London	Mansell
Mulalley	Eugena
Wilmott Dixon	

Collectively, the Framework Agreement has a combined financial limit of in the region of £250m.

