

Finance and Resources Committee

10.00am, Thursday, 23 May 2019

New Build Housing Framework Agreement Lot 1

Executive/routine
Wards
Council Commitments

1. Recommendations

- 1.1 The Finance and Resources Committee is asked to:
- 1.1.1 Approve the award of Lot 1 of the New Build Housing Contractor Framework Agreement to the following six Contractors:
 - CBC (Glasgow) Ltd
 - CCG (Scotland) Ltd
 - ENGIE Regeneration
 - John Graham Construction Ltd
 - Hart Builders (Edinburgh) Ltd
 - McTaggart Construction Ltd;
 - 1.1.2 Notes that the Framework Agreement is for a period of three years, with the option to extend for a further one year; and
 - 1.1.3 Note the total estimated value of contracts, over the maximum four-year period, the Framework Agreement at between £250 million and £400 million.
 - 1.1.4 Delegates authority to the Executive Director of Place and the Head of Place Development in line with the Scheme of Delegation for the awarding of contracts which are undertaken using the framework, and notes that these awards will be reported to Finance and Resources Committee under the quarterly procurement report for Awards of Contract.

Paul Lawrence

Executive Director of Place

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New Build Housing Framework Agreement Lot 1

2. Executive Summary

- 2.1 The Council has one of the most ambitious affordable house building programmes in the country with over 1,000 affordable homes under construction and a further 3,000 in design development.
- 2.2 This report seeks the approval of the Finance and Resources Committee to award Lot 1 of the New Build Housing Framework Agreement to six contractors to support the delivery of these new affordable homes. The Framework is expected to deliver a range of benefits; including innovation and modern methods of construction in house building, jobs, apprenticeships and training opportunities as well as support for the local economy.

3. Background

- 3.1 On 24 August 2017, the Council agreed the [Programme for the Capital – The City of Edinburgh Council Business Plan 2017-22](#), including a commitment to deliver 20,000 affordable homes over the next 10 years. It is anticipated that around 10,000 of these homes will be delivered through Council led housing and regeneration with the remaining 10,000 delivered by Registered Social Landlords and private developers.
- 3.2 On 23 March 2017 the Finance and Resources Committee agreed the transfer of 14 sites to the Housing Revenue Account (HRA) for housebuilding and on 23 March 2018 agreed to purchase the National Grid site in Granton to create a pipeline of sites for housing delivery.
- 3.3 On 21 February 2019, the Council approved the five-year [HRA Budget Strategy 2019/20 to 2023/24](#) which includes £677 million of investment to support the delivery of 10,000 homes.
- 3.4 The Council has one of the most ambitious affordable housebuilding programmes in the country and through the Edinburgh and South East Scotland City Region Deal aims to deliver a step change in the supply of new homes across the region. In

order to deliver its commitments, the Council requires to appoint suitably qualified and experienced housing contractors.

- 3.5 The Council's HRA funded house building programme has been growing annually, with around 1,600 homes completed or under construction this year and more than 1,000 homes under construction across the city at Pennywell, North Sighthill, Greendykes, Craigmillar and smaller sites. A further 3,000 homes are at design development stage forming a pipeline programme. This programme includes construction of homes that will be owned and managed by the Council's housing partnership, Edinburgh Living for mid and market rent.
- 3.6 To date the Council has used a variety of procurement routes including accessing externally procured frameworks such as SCAPE and Scottish Procurement Alliance (SPA), individually procured construction contracts as well as Development Agreements to deliver affordable housing and mixed tenure regeneration.
- 3.7 In order to accelerate development and provide greater certainty for the delivery of the pipeline programme, a procurement exercise has been undertaken to establish a house builder framework. The Council procured house builder framework will provide an efficient, competitively tendered route to deliver affordable homes on Council owned sites that have been transferred to the HRA from the General Fund. Consideration is also being given to using the framework to deliver a first phase of affordable homes at Western Villages (Forthquarter) as an early action project within Granton Waterfront.
- 3.8 The Framework is not intended to replace all routes to market. Where the Council is seeking to deliver larger mixed use and mixed tenure projects (including homes for sale) it will be necessary to procure a development partner. The Council has successfully procured development partners to deliver mixed tenure regeneration at Gracemount, Pennywell and North Sighthill and in March 2017 the Finance and Resources Committee agreed to commence procurement for a development partner for the Fountainbridge site.
- 3.9 The anticipated value of the framework (between £250 million and £400 million), reflects both the scale of the Council's own ambitions in relation to affordable housebuilding and the potential affordable housing delivery requirements of our city region partners. The framework may be utilised by named city region partners to deliver affordable housing within the region and, in so doing, will support the delivery of the two key strategic aims for the regional housing programme:
- deliver a step change in the supply of new homes across the South East of Scotland; and
 - deliver a step change in innovation and inclusive growth in the housing and construction sectors.
- 3.10 The pipeline of sites that may be delivered through this programme will allow the contractors to invest in their workforce, offer apprenticeship and training opportunities as well as respond to the need for accelerating new delivery by using modern methods of construction including elements of off-site manufacturing.

- 3.11 All homes built for the Council through the new build housing framework agreement will be done so in accordance with the Council's design guidance. This ensures that Council homes exceed the minimum requirements for standards of sustainability, promote a fabric first approach and support the Council's Sustainability Approach.

4. Main report

- 4.1 The framework has been split into two different Lots. Lot 1 allows for the award of contracts for sites where the Council has already appointed a Design Team (architects, engineers) and allows for the services of that Design team to be transferred across to the contractor. Lot 2 allows for the award of contracts where the contractor takes full responsibility for both designing and building the homes. The procurement exercises for these two lots have been split to allow for the internal team and market to stagger the resources required for the bidding exercises. A further contract award report for Lot 2 will be provided to the Finance and Resources Committee later this year.
- 4.2 Commercial and Procurement Services has conducted the procurement process in accordance with the restricted procedure as set out in the Public Contracts (Scotland) Regulations 2015.
- 4.3 In response to a contract notice published on the Public Contracts Scotland portal and in the Official Journal of the European Union on 4 June 2018, 20 applicants applied to be prequalified to receive an Invitation to Tender (ITT). The prequalification submissions were evaluated by the three members of the evaluation team, against the published selection criteria. The financial and economic standing of the applicants were also evaluated.
- 4.4 Following this evaluation, the top ten ranked applicants were invited to tender. All ten tenderers provided suitable examples of constructing affordable housing projects.
- 4.5 During the tender period, one tenderer withdrew, citing difficulties with resources.
- 4.6 The ITT noted that the Framework Agreement would be awarded based on the most economically advantageous tenders with 70% of the overall score being allocated to quality and 30% allocated to price.
- 4.7 The Framework Agreement formation has a high emphasis on quality to ensure suppliers meet all the necessary standards to create high quality, safe and defect free homes. The Agreement allows for awards to be made on the following basis:
- based on the ranking determined by the tendering process (where price is negotiated via open book cost sharing with the top ranked contractor who has the availability to deliver); and
 - via mini competitions conducted with an emphasis on price on the basis that all contractors have met an acceptable quality threshold.

- 4.8 Tenders were returned in February 2019. These tenders were then evaluated in accordance with the evaluation and scoring criteria set out in the ITT.
- 4.9 A minimum score of 5 out of 10 was set for each individual criterion to ensure that any bidder failing to provide a satisfactory response to any of the published evaluation criteria requested within the tender documentation could be disqualified.
- 4.10 Each criterion was evaluated individually by three officers. On completion of these individual evaluations, a consensus meeting was held, attended by the members of the evaluation team and the procurement lead from Commercial and Procurement Services. Individual evaluation scores were reviewed and debated and a consensus score reached for each qualitative submission. The appropriate weightings were then applied to each of the individual evaluation criteria to arrive at a final quality score out of 70% for each bidder.
- 4.11 The tenderers' pricing submissions were separately evaluated by the project's external cost consultants, David Adamson and Partners. The lowest priced tender received was awarded the maximum score of 30% for price, with the other tender scored on a pro-rata basis against this lowest bid.
- 4.12 The quality scores were then combined with the scores from the price evaluation to derive an overall score for each bidder out of a maximum of 100%.
- 4.13 The scores achieved by each bidder are:

Bidder	Quality Score (70.00)	Price Score (30.00)	Total Score (100.00)	Rank	Recommended Award(Y/N)
CCG (Scotland) Ltd	50.40	29.55	79.95	1	Y
John Graham Construction Ltd	50.05	29.17	79.22	2	Y
CBC (Glasgow) Ltd	47.25	29.47	76.72	3	Y
McTaggart Construction Ltd	49.70	26.20	75.90	4	Y
Hart Builders (Edinburgh)Ltd	46.90	27.53	74.43	5	Y
ENGIE Regeneration	45.50	28.74	74.24	6	Y
Tenderer 7	42.35	30.00	72.35	N/A	N
Tenderer 8	43.75	28.41	72.16	N/A	N
Tenderer 9	42.35	29.14	71.49	N/A	N

5. Next Steps

- 5.1 Following the award of the Framework Agreement for Lot 1 to the listed Contractors, a mandatory 10-day standstill period will commence before entering into Framework Agreements with each Contractor.
- 5.2 The contract award for Lot 2 of the Framework Agreement will be sought at a Finances and Resources Committee later this calendar year.

6. Financial impact

- 6.1 The Lot 1 framework value is expected to be between £250 million and £400 million over the maximum four-year term.
- 6.2 The programme budget for Council house building was agreed as part of the HRA Budget Strategy 2019-2024 on the 21 February 2019.
- 6.3 The Framework will save staff cost and time by removing the need to tender individual projects on the open market or pay access fees for externally managed frameworks (typically between 1% and 3% of the construction value). It will also allow more predictability in the programming of sites with access to suitably qualified and financially stable contractors at a time of economic uncertainty.
- 6.4 Should the framework not be awarded then there is a risk of significant delays to programme spend, delivery and completion of new homes as projects will have to be procured individually.

7. Stakeholder/Community Impact

- 7.1 The Council has a Community Benefits Procurement Programme and as part of the evaluation process contractors have committed to community benefits including:
 - School and college visits;
 - Work placement and apprenticeships;
 - Supply chain opportunities and support for SMEs; and
 - Community engagement and volunteering.
- 7.2 The framework has been developed in collaboration with City Region partners.

8. Background reading/external references

[Acceleration Housing Delivery and Brownfield Regeneration](#)

[Programme for the Capital – The City of Edinburgh Council Business Plan 2017-22](#)

[Housing Revenue Account Budget Strategy 2019 -2024](#)

9. Appendices

Appendix 1 - Summary of Tendering and Tender Evaluation Processes

Appendix 1 – Summary of Tendering and Tender Evaluation Processes

Contract	Lot 1 New Build Housing Framework Agreement	
Contract Period	Three years with option to extend by additional 12 months	
Estimated Contract Value (including extensions)	£250M to 400M	
Procurement Route Chosen	Restricted Procedure	
Tenders Returned	9	
Names of Recommended Supplier(s)	CBC Glasgow Ltd CCG Scotland Ltd ENGIE John Graham Construction Hart Construction McTaggart Construction	
Cost / Quality Split	30% Cost	70% Quality
Quality Evaluation Criteria and Weightings and reason for this approach	<p>The Framework Agreement formation has a high emphasis on quality to ensure suppliers meet all the necessary standards to create high quality, safe and defect free homes.</p> <p>The cost assessment at Framework Agreement level requires suppliers to submit capped profit percentage levels and commit to working with the Council on all awards of Business on an open book costing model.</p> <p>The majority of Contract awards within the Framework Agreement shall be based on mini competitions where the competition criteria shall have a stronger emphasis on price.</p> <p>The following quality criteria were assessed:</p> <ul style="list-style-type: none"> Management Team for Framework Agreement (10%) Project Team for Exemplar Project (10%) Project Methodology for Exemplar Project (10%) Project Planning for Exemplar Project (5%) Modernisation & Innovation – Framework Agreement (10%) Defects & Snagging – Exemplar Project (10%) Cost Management – Exemplar Project (10%) Risk Register for Framework Agreement (5%) Risk Register for Exemplar Project (5%) Community Benefits (10%) Sustainable Practices – Framework Agreement (5%) 	

	<p>Sustainable & Environmental Planning – Exemplar Project (5%)</p> <p>Fair Works Practices (5%)</p>
Evaluation Team	<p>Audrey Marchbank – Resource Officer, Place Development (Qualification stage only)</p> <p>Colette McKenna – Development and Regeneration Manager, Place Development (Qualification stage only)</p> <p>David Robertson – Senior Construction Project Manager, Place Development</p> <p>Elise Schneider – Construction Project Manager, Place Development</p> <p>Hazel Ferguson – Senior Construction Project Manager, Place Development</p> <p>David Adamson & Partners</p>