

Finance and Resources Committee

10.00am, Thursday, 10 October 2019

New Build Housing Framework Agreement Lot 2

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 2 of the New Build Housing Contractor Framework Agreement to the following six Contractors:
 - CBC (Glasgow) Ltd
 - CCG (Scotland) Ltd
 - ENGIE Regeneration Ltd
 - Hadden Construction Ltd
 - Hart Builders (Edinburgh) Ltd
 - Robertson Partnership Homes 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.
 - 1.1.3 Note the total estimated value of contracts for this Lot, over the maximum four-year period of the Framework Agreement at between £250 million and £400 million; and
 - 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 Agreement 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 2

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 3,500 in design development.
- 2.2 This report seeks the approval of the Finance and Resources Committee to award Lot 2 of the New Build Housing Framework Agreement to six contractors to support the delivery of new affordable homes. The award of this Lot follows on from the award of Lot 1 which was approved at the [Finance and Resources Committee](#) on the 23 May 2019. Lot 1 is for build only contracts where the Council will carry out the majority of the design work. Lot 2 allows the contractor to take full responsibility for both designing and building the homes. This gives the Council the ability to select the most appropriate Lot depending on the stage of design and complexities of the sites.
- 2.3 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 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.

- 3.3 The Council's Housing Revenue Account (HRA) funded house building programme has been growing annually, with around 1,900 homes complete or under construction across the city at Pennywell, North Sighthill, Greendykes, Craigmillar and smaller sites. A further 3,500 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.
- 3.4 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.
- 3.5 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.
- 3.6 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.
- 3.7 The anticipated value of the Framework Agreement (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 delivering affordable housing within the region.
- 3.8 The framework will allow us to deliver highly energy efficient homes and test practical design and construction solutions to achieving the Council's ambition to be a net zero carbon authority with many of the contractors having constructed homes to platinum standard (equivalent to net zero carbon).

4. Main report

- 4.1 The Framework has been split into two Lots. Lot 1 is for construction only and was approved on the 23 May 2019 by the Finance and Resources Committee. Lot 2 allows for the award of contracts where the contractor takes full responsibility for both designing and building the homes. The procurement exercise for these two lots was split to allow for the internal team and bidders to stagger the resources required for the tendering exercises.
- 4.2 Commercial and Procurement Services (CPS) 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 12 ranked applicants were invited to tender for this Lot. All tenderers provided suitable examples of constructing affordable housing projects.
- 4.5 During the tender period, two tenderers 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 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:
 - 4.7.1 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
 - 4.7.2 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 June 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 CPS. 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	58.80	30.00	88.80	1	Y
ENGIE Regeneration Ltd	57.05	18.93	75.98	2	Y
Hart Builders (Edinburgh) Ltd	50.05	24.65	74.70	3	Y
Robertson Partnership Homes Ltd	50.75	23.86	74.61	4	Y
Hadden Construction Ltd	53.55	16.40	69.95	5	Y
CBC (Glasgow) Ltd	46.20	15.64	61.84	6	Y
Bidder 7	42.00	16.71	58.71	7	N
Bidder 8	43.05	13.56	56.61	8	N
Bidder 9	38.50	9.06	47.56	9	N
Bidder 10	36.75	6.54	43.29	10	N

5. Next Steps

- 5.1 Following the award of the Framework Agreement for Lot 2 to the listed contractors, a mandatory 10-day standstill period will commence before entering into Framework Agreements with each contractor.
- 5.2 Development and Regeneration will manage the Framework Agreement, monitoring the performance of the framework overall and of individual contractors in terms of quality of homes built and value for money. This will be done through a series of Key Performance Indicators (KPIs) to be established in consultation with the Framework contractors.

6. Financial impact

- 6.1 The Lot 2 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:
- 7.1.1 School and college visits;
 - 7.1.2 Work placement and apprenticeships;
 - 7.1.3 Supply chain opportunities and support for SMEs; and
 - 7.1.4 Community engagement and volunteering.
- 7.2 Delivery of community benefits will be tracked through the framework management arrangements.

8. Background reading/external references

- 8.1 [Acceleration Housing Delivery and Brownfield Regeneration](#)
- 8.2 [Programme for the Capital – The City of Edinburgh Council Business Plan 2017-22](#)
- 8.3 [Housing Revenue Account Budget Strategy 2019 -2024](#)
- 8.4 [New build housing framework agreement lot 1](#)

9. Appendices

- 9.1 Appendix 1 - Summary of Tendering and Tender Evaluation Processes.

Appendix 1 – Summary of Tendering and Tender Evaluation Processes

Contract	Lot 2 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	10	
Names of Recommended Supplier(s)	<ul style="list-style-type: none"> • CBC (Glasgow) Ltd • CCG (Scotland) Ltd • ENGIE Regeneration Ltd • Hadden Construction Ltd • Hart Builders (Edinburgh) Ltd • Robertson Partnership Homes Ltd 	
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> <p>Management Team (5%)</p> <p>Team Structure (5%)</p> <p>Project/Design Team (15%)</p> <p>Project Management and Design Approach (20%)</p> <p>Modernisation and Innovation (15%)</p> <p>Defects and Snagging (10%)</p> <p>Cost and Risk Management (10%)</p> <p>Community Benefits (10%)</p> <p>Sustainable and Environmental Practices (5%)</p> <p>Fair Works Practices (5%)</p>	
Evaluation Team	Audrey Marchbank – Resource Officer, Place Development (Qualification stage only)	

	<p>Rachel Fraser – Construction Project Manager, Place Development (Qualification stage only)</p> <p>David Robertson – Senior Construction Project Manager, Place Development</p> <p>Callum Smith – Senior Construction Project Manager, Place Development</p> <p>Hazel Ferguson – Senior Construction Project Manager, Place Development</p> <p>David Adamson & Partners</p>
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