

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to: CABINET
Report of: CORPORATE DIRECTOR, ECONOMY
Date of Decision: 27TH MARCH 2018
SUBJECT: TENDER STRATEGY FOR THE DEVELOPMENT OF THE RESIDENTIAL ELEMENT FOR THE COMMONWEALTH GAMES VILLAGE (P0427)
Key Decision: YES
Relevant Forward Plan Ref: 003938
If not in the Forward Plan: Chief Executive approved ☐
(please "tick" box) O&S Chair approved ☐
Relevant Cabinet Member(s) or Cllr Ian Ward, Leader
Relevant Executive Member Cllr Majid Mahmood, Commercialism, Commissioning and Contract Management
Relevant O&S Chair: Cllr Mohammed Aikhlaq, Corporate Resources and Governance
Wards affected: Perry Barr

1. Purpose of report:

- 1.1 This public report provides details of the tender strategy and of the procurement process for the development of the residential element of the Commonwealth Games Village. The private agenda report contains any confidential market information which could impact on the tender process.

2. Decision(s) recommended:

That Cabinet

- 2.1 Notes the report.

Lead Contact Officer (s): Clive Skidmore, Head of Housing Development, Economy Directorate
Telephone No: 0121 303 1667
E-mail address: clive.skidmore@birmingham.gov.uk

Lead Contact Officer (s): Charlie Short, Procurement Manager, Corporate Procurement Service, Strategic Services Directorate
Telephone No: 0121 303 1667
E-mail address: charlie.e.short@birmingham.gov.uk

3. Consultation

3.1 Internal

- 3.1.1 The Cabinet Member for Housing and Homes has been consulted and is in agreement with the recommendation for this to proceed to executive decision.
- 3.1.2 Consultation has taken place with the Leader of the Conservative Group, the Leader of the Liberal Democrats Group and both are supportive of the proposal. The Scrutiny Chair for Resources and Governance and The Scrutiny Chair for Health, Wellbeing and the Environment have also been made aware of the proposal.
- 3.1.3 Officers from Legal and Governance Services, City Finance and Procurement have been involved in the preparation of the report.

3.2 External

- 3.2.1 Relevant Ward Council Members will be consulted as part of the planning process. Perry Barr Councillors will also be consulted on an on-going basis as the proposals evolve and prior to submission of the Final Business Case to Cabinet.
- 3.2.2 Opportunities will be available for residents from the Perry Barr Ward to be consulted as part of the planning application process and thereafter by notification of the contractor mobilising for a start on site.
- 3.2.3 Homes England is represented on the Project Board.

4. Compliance Issues:

4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies

- 4.1.1 The proposed development at Perry Barr is in line with the Council's plans for growth as set out in the Birmingham 2031 Development Plan, and as such the activity proposed is not contingent upon the approval of Birmingham as 2022 Host City. The Village forms the first phase of significant proposals for Perry Barr.
- 4.1.2 This proposal is also consistent with the Council's Vision and Forward Plan 2017 key priorities by;
 - **Children** – the redevelopment of Perry Barr will lead to a step change in the local Neighborhood and ensure a safe, warm, sustainable and connected environment in which our children can thrive;
 - **Housing** – the Council is committed to the development of enough high quality new homes to meet the needs of a growing city, and the proposals within this report seek to support housing growth in the city;
 - **Jobs and Skills** – activity within the construction sector will create jobs and apprenticeships in the city, and activity in the supply chain industries, supporting the local economy through the Birmingham Business Charter for Social Responsibility;
 - **Health** – the links between health and housing are well recognised. The scheme will see the construction of new thermally efficient, economical to run new homes which are designed to high standards of quality and internal space standards will be more affordable for residents and will offer a higher quality of life leading to better health outcomes.

4.1.3 Birmingham Business Charter for Social Responsibility (BBC4SR)

Compliance with the BBC4SR is a mandatory requirement that will form part of the conditions of this contract. Tenderers will be required to submit an action plan with their tender that will be evaluated in accordance with 5.5.4.2 and the action plan of the successful tenderer will be implemented and monitored during the contract period. In addition, in recognition of the Council's policy to support sheltered workshops and its commitment to promote such firms who employ People with Disabilities, the tender invitation will include a requirement for contractors to seek a competitive quotation from Shelforce for the supply of windows and doors. Whilst this does not mandate contractors to use Shelforce, it will ensure they have the opportunity to price for these opportunities.

4.2 Financial Implications

4.2.1 The cost will be funded from the overall budget for the CWG Village. Whilst precise funding arrangements are still being developed, funding will be from a combination of grants and prudential borrowing.

4.2.2 Commencing the procurement process does not oblige the Council to enter into any contracts, and contract award for the construction of the residential scheme will be subject to confirmation of funding and Cabinet approval anticipated in September 2018.

4.3 Legal Implications

4.3.1 Under Section 1 of the Localism Act 2011, the Council has the power to enter into the arrangements set out in this report, which are within the remit and limits of the general power of competence Section 2 and 4 of the Localism Act 2011.

4.3.2 Pre-Procurement Duty under the Public Service (Social Value) Act 2012

Although the Public Service (Social Value) Act 2012 does not apply to works contracts that are, in accordance with Council policy, tenderers will be asked how their bid addresses social value as part of the overall evaluation.

4.4 Public Sector Equality Duty

4.4.1 The equalities implications were set out in the report to Cabinet dated 14th November 2017.

5. **Relevant background/chronology of key events:**

5.1 Background and Service Requirements

5.1.1 Birmingham was awarded the honour of hosting the 2022 Commonwealth Games in December 2017. This privilege brings with it a number of obligations as the host city, one of which is the provision of sufficient residential accommodation to house around 6,500 athletes during the Games period.

5.1.2 A number of options have been considered for the athletes' accommodation, and the preferred option is the development of a new purpose built residential development on the site of the former BCU campus in Perry Barr.

5.1.3 On 14th November Cabinet approved officers' recommendation that the residential scheme would be developed by the Council acting as developer, given the significant in house

expertise which has led the Council to become the biggest housing developer in the city through the BMHT and InReach programmes.

- 5.1.4 Significant progress has been made to bring this project forward at pace, as clearly the primary driver is to ensure that the athletes' accommodation is constructed by the time the Games commence in June 2022. Post Games the accommodation will be converted to general needs housing, some of which will be retained by the Council, and some will be sold on for other tenures including affordable housing, private rent and owner occupation. The disposal strategy will be the subject of a future report to Cabinet.
- 5.1.5 Site assembly is well advanced, and following the appointment of Arcadis as the Council's Employers Agents, two Birmingham architects firms, Glancy Nicholls Associates and Glenn Howells Associates, are developing the design of the residential quarter. It is anticipated that a Planning Application will be submitted in June 2018.
- 5.1.6 The development of the athletes' village will create a transformational legacy for Perry Barr by the creation of a high quality residential neighbourhood, providing in excess of 1,200 new homes with an improved environment for residents.
- 5.1.7 This report seeks approval to commence the procurement process for the appointment of a building contractor for the development of the residential element of the scheme. Due to the scale of the project and the length of a full and transparent procurement process, it is essential that potential contractors are engaged through a procurement process at the earliest opportunity.

5.2 Outcomes Expected

- 5.2.1 The following outcomes are anticipated as a result of the proposed procurement process to be carried out:
- The development of sufficient high quality accommodation for the athletes during the period of the games
 - The creation of a high quality aspirational neighbourhood in the heart of Perry Barr;
 - Regeneration of the wider Perry Barr area through complementary investment in transport infrastructure, and the development of adjacent sites

5.3 Market Analysis

- 5.3.1 This is a major project that only a small number of construction companies have the size, capacity, financial resilience and experience to deliver a project of this complexity and prestige. There will be significant interest in the project from all sections of the market. However, there will be a robust evaluation criteria in place to ensure that only capable organisations proceed to the further assessment stage. A market engagement event will be held to interested companies to explain the Council's vision for the project.

5.4 Strategic Procurement Approach

- 5.4.1 The detailed Options Appraisal with scoring is in the Private Report. A summary of the evaluation of the options that were considered are:
- To split the development into small work packages potentially developed by different suppliers – this is not an option as it is likely to lead to inconsistencies with timescales and build quality. Also, this option does not lend itself to the demolition and land remediation strategy for the site.
 - To tender for a Birmingham only contract. This is the preferred option on the basis that it will allow for all suppliers to express an interest in tendering for the opportunity, costs will

be reflective of the current market position and all of the Council's priorities can be incorporated into the tender documentation.

- To use a collaborative framework agreement – There are a number of collaborative framework agreements in place that may be suitable for use that have benefits for a project of this size. When considering the various framework agreements, this option was discounted for a variety of reasons including the lack of breadth of the suppliers, cost of accessing and reduced timescales do not add significant benefit.

5.5 Procurement Approach

5.5.1 Duration and Advertising Route

The contract will be awarded for an indicative period of up to 6 years. This is a works contract and will be advertised in the OJEU, Contracts Finder and www.finditinbirmingham.com.

5.5.2 Procurement Route

The requirement will be tendered using the 'OJEU' route on the basis that:

- There are sufficient suppliers in the market place that can provide all the required services
- The service can be clearly defined
- Tenderers' prices will be fixed for the term of the contract

5.5.3 Scope and Specification

The scope and specification is:

- The development of residential accommodation with all associated infrastructure in accordance with the Council's approved scheme and specification to provide housing for 6,500 athletes by June 2022;
- The conversion of the accommodation to general needs housing after the Games period.

5.5.4 Tender Structure (Including Evaluation and Selection Criteria)

5.5.4.1 Evaluation and Selection Criteria

The quality / social value / price balances below were established having due regard for the corporate document 'Evaluating Tenders' which considers the complexity of the services to be provided. The tender documents will include the form of contract based on the *JCT design and build contract* with appropriate revisions to incorporate corporate policies.

5.5.4.2 Tenders will be evaluated against the specification in accordance with a pre-determined evaluation model.

5.5.4.3 The evaluation of tenders will be assessed as detailed below:

The assessment will be divided into the following stages:

Stage 1 – Company Information

Stage 2 – Invitation to Tender

Stage 1 – Company Information

In accordance with PAS 91:2013+A1:2017 for construction, the following assessment will be used for this stage:

- Question C.1 – Information about the Applicants (Pass / Fail)
- Question C.2 – Financial Information (including Insurance) (Pass / Fail)
- Question C.3 - Business and Professional Standing (including exclusion grounds) (Pass / Fail)
- Question C.4 - Health and Safety (Pass / Fail)
- Question O.1 - Equal Opportunity and diversity policy (Pass / Fail)
- Question O.2 - Environmental Management (Pass / Fail)
- Question O.3 - Quality Management (Pass / Fail)
- Question O.4 - Compliance with BBC4SR (Pass / Fail)
- Question O.5 – Experience and Ability to Deliver (Scored) demonstrable experience in delivering schemes of similar size, value and nature. Contractors proposed supply chain, and proposed methodology for delivering the athletes village, assurances on availability of labour.
- Declaration (Pass / Fail)

Tenderers that pass the pass/fail elements and score above 60% will progress to Stage 2.

Stage 2 – Invitation to Tender Stage

Evaluation and Selection Criteria

Tenders will be evaluated using the indicative quality / social value / price balance in accordance with a pre-determined evaluation model. The quality element will account for 40%, social value 20% and price 40%. This quality / social value / price balance has been established having due regard to the corporate document 'Evaluating Tenders' which considers the complexity of the services to be provided and the degree of detail contained within the contract specification.

Tenders will be evaluated against the specification in accordance with the pre-determined evaluation model described below:

Quality (40% Weighting)

Criteria	Overall Weighting	Sub-Weighting
Technical Competency	100%	15%
Design / Build Quality and Specification		25%
Management of the Programme		30%
Organisational Management & Resources		25%
Health & Safety		5%

Tenderers who score less than 70% of the quality threshold i.e. a score of 70 out of a maximum quality score of 100 will not proceed to the next stage of the evaluation.

Social Value (20% Weighting)

Criteria	Overall Weighting	Sub-weighting
Local Employment	100%	20%
Buy Local		15%
Partners in Communities		20%
Good Employer		20%
Green and Sustainable		15%
Ethical Procurement		10%

Tenderers who score less than 40% of the social value threshold i.e. a score of 40 out of a maximum quality score of 100 will not proceed to the next stage of the evaluation.

Price (40% Weighting)

Tenderers will be required to price on the basis of a JCT design and build contract.

Overall Evaluation

The evaluation process will result in comparative quality, social value and price scores for each tenderer. The maximum quality score will be awarded to the bid that demonstrates the highest quality. The maximum social value score will be awarded to the bid that demonstrates the highest social value. The lowest price will be given the maximum score. Other tenderers will be scored in proportion to the maximum scores in order to ensure value for money and the proposed framework agreement will be awarded to the first ranked tenderer.

5.5.5 Evaluation Team

The evaluation of tenders will be undertaken by officers from Housing Development, Planning, the Council's Employers Agent and Homes England, supported by Corporate Procurement Services.

5.6 Risk

- 5.6.1 The CPS approach is to follow the Council Risk Management Methodology and the Procurement Team is responsible for local risk management. CPS maintains a risk management register and documentation relevant for each contract. The risk register for the development has been jointly produced and owned by the Project Board with arrangements being put in place to ensure operational risks are appropriately mitigated.

5.7 Indicative Implementation Plan

Cabinet Approval (Strategy)	27 th March 2018
ITT Issued	April 2018
ITT Return	June 2018
Evaluation Period	July 2018
DPR Approval (Award)	August 2018
Contract Award	September 2018
Commencement on Site	January 2019

5.8 Service Delivery Management

5.8.1 Contract Management

The contract will be managed operationally by the Head of Housing Development.

6. Evaluation of alternative option(s):

- 6.1 Not to build the development – this is not an option as it is a requirement of the Commonwealth Games Federation to provide accommodation for the athletes
- 6.2 Alternative procurement options are detailed in paragraph 5.4

7. Reasons for Decision(s):

- 7.1 To enable the commencement of the procurement activity for the development of housing for the athletes village.

Signatures:

Date:

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Waheed Nazir – Corporate Director, Economy

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Councillor Ian Ward – Leader of the Council

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Councillor Majid Mahmood - Commercialism, Commissioning and Contract Management

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List of Background Documents used to compile this Report:

Report to Cabinet 14th November 2017.

List of Appendices accompanying this Report (if any):

None