

To: Finance, Resources and Customer Services Policy Board

On: 28 March 2018

**Report by: Joint Report by The Chief Executive and the Acting Director of
Development and Housing Services**

Heading: Johnstone Castle New Build Housing

1. Summary

- 1.1 The purpose of this report is to seek the approval of the Finance, Resources and Customer Services Policy Board to award a Contract for Johnstone Castle New Build Housing (RC/OC/448/17) to ENGIE Regeneration Limited.
 - 1.2 The procurement exercise was conducted in accordance with the Council's Standing Orders Relating to Contracts and the above EU Threshold Restricted Procedure for Works Contracts.
 - 1.3 A Contract Strategy was approved by the Head of Planning and Housing Services and the Strategic Procurement Manager in December 2017.
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2. Recommendations

- 2.1 It is recommended that the Finance, Resources and Customer Services Policy Board authorise The Head of Corporate Governance:
 - 2.1.1 To award a Contract for Johnstone Castle New Build Housing (RC/OC/448/17) to ENGIE Regeneration Limited, subject to an offer of Scottish Government Affordable Housing Grant funding:

- 2.1.2 The Contract Sum is £12,971,136.60 excluding VAT;
 - 2.1.3 The use by the Council of a potential Risk Allowance (if required) of an additional £1,297,113 excluding VAT;
 - 2.1.4 The works will be undertaken on a sectional basis. The total Contract period is one hundred and twelve (112) weeks with the date of possession for the first two (2) sections to be confirmed in the Letter of Acceptance. The date of possession for the remaining three (3) sections is scheduled for January 2019 with the completion date for the project being March 2020. The actual timescales and dates will be confirmed in the Council's Letter of Acceptance to ENGIE Regeneration Limited;
 - 2.1.5 The provision of Collateral Warranties by ENGIE Regeneration Limited and the novation of the Design Team Contract to ENGIE Regeneration Limited as required by the tender will be sought following award of the contract.
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3. Background

- 3.1 The objective of this Contract is to provide high quality, main front and back door housing to replace obsolete tenement stock in the Johnstone Castle area as well as drive community sustainability and meet identified housing needs.
- 3.2 The Housing and Community Safety Policy Board agreed in August 2014 that a tender process should be conducted to procure a contract for the construction of new build housing on the cleared sites at Johnstone Castle. Subsequent reports to the Policy Board on Renfrewshire's Strategic Housing Investment Plan and to the Council on the Housing Revenue Account Capital Investment Plan indicated that funding provision has been made for around 100 new build Council houses at Johnstone Castle.
- 3.3 In August 2014, it was estimated that the net cost of new build to the Council's Housing Revenue Account would be around £79,000 per unit. This was based on the Scottish Government grant benchmark at that time of £46,000 per unit and total estimated cost of £125,000 per unit. For the anticipated 100 new homes, this would have required £7.9m investment for the Housing Revenue Account.
- 3.4 Since then, there has been an increase in the Scottish Government's grant benchmark for new build Council houses (now £57,000 per unit and £59,000 for properties which meet the higher Greener Standard). Based on the Contract sum of £12.971m, and taking account of professional fees, other

development costs, and the higher grant rates, the total estimated net cost to the Housing Revenue Account is £7.8m for 95 new homes.

- 3.5 The Contract was tendered as an above EU Threshold Works Contract in accordance with the Restricted Procedure under the Public Contracts (Scotland) Regulations 2015 and the Council's Standing Orders Relating to Contracts and will be awarded in the form of a SBCC Design and Build Contract for Use in Scotland (DB/Scot 2011 Edition) supplemented and amended by the Council's Employer's Amendments.
- 3.6 A contract notice for this Contract was dispatched via the Public Contracts Scotland advertising portal to the Official Journal of the European Union (OJEU) on Wednesday, 25 October 2017 with the notice published on OJEU on Friday, 27 October 2017 with the Request to Participate (RTP) documentation available for downloading from the Public Contract Scotland – Tender platform.
- 3.7 During the RTP stage (Stage 1), eighteen (18) contractors expressed an interest in the Contract. By the closing date set for submissions, 12 noon on Monday, 27 November 2017, eight (8) contractors submitted a request to participate response, three (3) declined to respond and seven (7) did not reply.
- 3.8 The RTP submissions were evaluated against a pre-determined set of criteria in the form of the European Single Procurement Document (ESPD) by representatives from the Corporate Procurement Unit and Development and Housing Services. All eight (8) RTP submissions met the ESPD selection criteria.
- 3.9 Following the Restricted Procedure as part of the selection process at Stage 1 and to reduce the number of otherwise qualified candidates in accordance with the Public Contracts (Scotland) Regulations 2015 Regulation 66, candidates had to respond to six (6) questions about their previous experience in the context of their application to the Johnstone Castle New Build Housing project.
- 3.10 Following evaluation by representatives from the Corporate Procurement Unit and Development and Housing Services of the responses to those six (6) questions from each of the eight (8) RTP submissions all eight (8) candidates were selected for Stage 2 (Invitation to Tender). The contract notice anticipated a minimum of five (5) candidates would be taken forward to Stage 2 (Invitation to Tender). However, it also reserved the right to invite more than five (5) candidates. Due to the narrow margins between the sixth (6th) and eighth (8th) ranked candidates all eight (8) candidates were taken forward.
- 3.11 The scores relative to the Quality Criteria for each Candidate is noted below:

		Quality (100%)
1	ENGIE Regeneration Limited	78.50
2	John Graham Construction Limited	76.00
3	Lovell Partnerships Limited	74.00
4	McTaggart Construction Limited	70.50
5	Ashleigh (Scotland) Limited	67.00
6	Cruden Building & Renewals Limited	67.00
7	Ogilvie Construction Limited	66.50
8	Esh Construction Limited	65.50

- 3.12 Following evaluation of the eight (8) requests to participate, all Contractors (known as “Candidates”) were invited to tender (Stage 2).
- 3.13 The Invitation to Tender (Stage 2) was made available for downloading by the eight (8) Candidates via the Public Contracts Scotland – Tender platform on 8 January 2018. By the closing date of 12 noon on Friday, 16 February 2018, five (5) Candidates (then known as “Tenderers”) submitted a response, two Candidates (2) declined to respond and one Candidate (1) failed to respond.
- 3.14 The five (5) Tender Submission responses were evaluated against the published Award criteria which was based on a weighting of 60% Technical and 40% Price.
- 3.15 The scores relative to the Award Criteria for each Tenderer is noted below:

		Technical (60%)	Price (40%)	Total (100%)
1	ENGIE Regeneration Limited	58.25	38.64	96.89
2	Ogilvie Construction Limited	56.75	35.72	92.47
3	Esh Construction Ltd	50.85	40.00	90.85
4	McTaggart Construction Ltd	49.80	37.31	87.11
5	Lovell Partnerships Limited	50.05	36.14	86.19

- 3.16 The evaluation of tender submissions received identified that the tender submission by ENGIE Regeneration Limited was the most economically advantageous tender submission.

- 3.17 The award of this contract will be subject to the Council receiving the funding proposed at 3.4.
- 3.18 Community Benefits were requested as part of the procurement process and ENGIE Regeneration Limited has committed to the following Community Benefits under this Contract:

Community Benefit Description	No of People / Activity
Employment Benefits – new entrant for a minimum of 12 weeks with no experience and from a target key priority group eligible for employability support	4
Employment Benefits – indirect new entrant for a minimum of 12 weeks with no experience and from a target key priority group eligible for employability support recruited from a sub-contractor	7
Employment Benefits – New start apprenticeship	4
Skills and Experience – Work experience placements for 16 years old and above	10
Skills and Experience – Further Education Visits	4
Skills and Experience – Work Experience Placements for 14 to 16 year olds	2
Skills and Experience – School visits	4
Skills and Experience – Careers event	2
Skills and Experience – S/NVQ for existing employee	1
Skills and Experience – S/NVQ for new entrants	4
Skills and Experience – S/NVQ for sub-contractor employee	4
Supply Chain Development – Supply chain briefings with SMEs	1
Supply Chain Development – Meet the Buyer Events	1
Supply Chain Development – Mentoring/business support for a third sector organisation	1
Community Engagement – Financial support for a community project	6
Community Engagement – Non-financial support for a community project	1

Implications of the Report

1. **Financial**

The costs under this Contract will be met by the Council's Housing Revenue Account Capital Investment programme and by way of Scottish Government Affordable Housing Grant funding.

2. **HR & Organisational Development**

None

3. **Community/Council Planning**

Building strong, safe and resilient communities – the works proposed will support the delivery of this outcome.

4. **Legal**

The tendering procedure for this Works Contract was conducted in accordance with the Public Contracts (Scotland) Regulations 2015 under the Restricted Procedure and Renfrewshire Council's Standing Orders Relating to Contracts for over EU Threshold Works contracts.

5. **Property/Assets**

The Contract will create ninety-five (95) new properties for addition to Renfrewshire Council's housing stock.

6. **Information Technology**

No Information Technology implications have arisen or are anticipated

7. **Equality & Human Rights**

The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report because for example it is for noting only. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety**

ENGIE Regeneration Limited's health and safety credentials were evaluated by Corporate Health and Safety and met the Council's minimum requirements regarding health and safety.

9. Procurement

The procurement procedures outlined within this report shall ensure that the Council meets its statutory requirements in respect of procurement procedures, efficiency and modern Government.

10. Risk

ENGIE Regeneration Limited insurances have been assessed and evaluated to confirm that they have met the minimum requirements regarding insurable risk.

11. Privacy Impact

No Privacy Impact implications have been identified or are anticipated.

12. Cosla Policy Position

No Cosla Policy Position implications have arisen or are anticipated

List of Background Papers

(a) Background Paper:

The foregoing background papers will be retained within Property Services for inspection by the public for the prescribed period of four years from the date of the meeting:

Report to the HACS Policy Board in August 2014.

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