

Soft Market Testing Report for Meridian Water Infrastructure Works

Project	Meridian Water Infrastructure Works
Client	London Borough of Enfield
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Revision 1



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1.0 Introduction

Stace have been instructed by the London Borough of Enfield (the Client) to carry out a contractor Soft Market Testing exercise to explore the potential competitive tendering of the Meridian Water Infrastructure Works (MWIF) which are public works and valued at circa £67m. This approach is being explored as a potential alternative to the use of the existing SCAPE framework. The key aim of the soft market testing exercise was to establish the following:

- A list of potential contractors who would be interested in competitively tendering for the works via an OJEU procurement route.
- Technical capability of each contractor.
- Financial capacity of each contracting organisation.
- Contractor relevant experience.
- Operational capacity.
- Office locality to the proposed works.
- Detailed information regarding the contractors' relevant project experience.
- Initial contractor feedback on the envisaged concept design and scope of works for the Stage 1 works.
- The key project risks to be addressed and managed/allocated before tendering the works.

This report sits alongside and should be read in conjunction with the Stace Procurement Review report.

Note: Due to confidentiality the contractor names have been removed from this report under revision 1.

2.0 Background Information

2.1 Procurement Review and Key Issues

The Client has engaged Stace to review the appropriate procurement options for the tendering of the works in the current construction market. The key points that the Client and Stace have agreed to consider are:

- a. Value For Money. As a public body LBE has a requirement to ensure Best Value, in terms of cost, programme and quality, is achieved from the procurement process i.e. ensuring competitive tendering of the works and delivery within the HIF funding programme parameters.
- b. Programme. The Client has made an application for Housing Infrastructure Funding in parallel with the development of the design of the works. A key requirement is the expenditure of the £67m budget by March 2021.
- c. Transparency; The Client needs to demonstrate the process adopted is open and actively engages with the market to produce the Best Value solution in terms of procurement, design and delivery.

2.2 SCAPE

The Client currently utilises the OJEU procured SCAPE Contractor Framework that has a value banded tier system that dictates the contractors who can be appointed for works of certain values. Under SCAPE there is only one contractor available to deliver these works due to the applicable works values band.

This presents a potential conflict for the Client in ensuring Value For Money and Best Value are demonstrated as it potentially limits competitive tension in the procurement of the main contractor i.e. there is only one available via SCAPE. We understand that LBE may have concerns over SCAPE due to several recent projects that LBE procured via that route.

2.3 Design Status and Programme

ARUP are engaged as the lead designer for the works and are currently designing the works with a view to completing RIBA Stage 2 Concept Design Information by the end of June 2018. This will be followed by a further design process, to achieve RIBA Stage 3 Developed Design for a planning application in January 2019. This is running concurrently with the procurement review process and as such would allow sufficient time for either an OJEU procurement route or a SCAPE process, although the latter would provide the benefit of contractor engagement, on buildability, during the design process. This final point has been addressed in the Soft Market Testing process, as described in the following sections of this report.

3.0 Soft Market Testing

3.1 Approach

1. In conjunction with the Client, Stace have agreed a long list of 18 potential contractors who have relevant technical skills and relevant experience of projects that are similar to the MWIF works.
2. Stace prepared a Soft Market Testing Project Brief, that provided an overview of the scope, programme and financial details of the project. This was issued to all the contractors 11th May 2018, with the contractors being required to express their interest, in writing, via a formal Expression of Interest response by 18th May 2018.
3. Stace received 6nr formal Expressions of Interest responses from the contractors. A further 3nr contractors expressed their interest and the remaining 9nr contractors declined further involvement due to their current capacity/workload, geographical location, scope of the work or gave no further reason.
4. The 9nr contractors who had expressed an interest, were then invited to a series of Soft Market Test presentation meetings held week commencing 21 May 2018. The agenda along with notes taken by Stace at the meetings can be found in the Appendices to this report.

3.2 Soft Market Testing Presentation Meeting Notes

The following is a synopsis of the meeting notes taken during the Soft Market Testing presentation meetings following an agenda which was agreed with the Client prior to the issued of the Project Brief.

Contractor A

Meeting held 24th May 2018 at 10am at ARUP's office

- Currently delivering the infrastructure for 10,000 homes for a developer which is a live site with a high degree of interfaces with multiple stakeholders.
- A have a soil washing facility and have acquired £1m of Soil Remediation Plant allowing them to have on site “Soil Hospitals” to remediate soil in-situ and re-use the remediated soils on site. A offered to take ARUP and the Client to visit their soil washing facility.
- A stated that they feel the envisaged works are deliverable within the current programme dates i.e. by 2021 HIF deadline.
- A stated that there is a risk of designing in over capacity in the utilities design for 10,000 units as the current final number of units is unknown which could increase costs.
- A stated the design should allow for free access within a 100m of the district heating networks as this a key risk in delivery of the secondary network.
- Thames Water diversions have a long lead in and early engagement should be prioritised in A's experience.
- A have their own in-house recycling centre at Wembley in close locality to the site should soils and waste need to be exported and recycled.
- A are open to risk sharing strategy with the Client i.e. regarding HIF requirements for expenditure, remediation and ground risk.
- A stated they would like to see the current Site Investigations information and highlighted that a Phase 2 Site investigation should be prioritised to establish the remediation scope more clearly and optimise the design for future housing works.

Contractor B

Meeting held 3pm 16th May 2018 at Enfield Council Offices

- B explained they have capacity on site and would look to move the project team from the Eastwick and Sweetwater SIW project on to this project based on the currently envisaged programme dates.
- B stated they would provide a draft procurement strategy outlining how they would ensure Value for Money from the supply chain.
- B would be willing to engage with sub-contractors outside of their supply chain. However, this would be subject to them being vetted.
- B stated they could provide a project risk and derogation schedule if required but would not be willing to take on all of the risk and a risk strategy would need to be agreed. They would look to take on known risks and share risk where unknown.
- B stated their risk allowances are not governed at corporate level and are tailored to suit the project.

Contractor C

Meeting held 9am 22nd May 2018 at Enfield Council Offices

- C stated they have in house remediation specialists who could review and optimise the remediation design and strategy to maximise Value For Money.
- C would be happy to have ARUP novated to them or alternatively employ their own design team, but highlighted ARUP's novation could be beneficial in terms of design programme duration.
- C have undertaken a number of infrastructure projects with several Local Authority clients. Details are provided within their Expression Of Interest (EOI) response.
- C have in house M&E design specialists who could implement the design for the utilities and the district heating if required.
- C would be open to risk sharing and asked to see the current risk register.

Contractor D

Meeting held 2pm 23rd May 2018 at Enfield Council Offices

- D have the capacity to carry out the works envisaged to the required programme.
- D own all their plant which is charged at market tested rates to their projects which they believe ensures best value on large earthworks schemes.
- D employ a Front End Engineering Design (FEED) process to optimise the project design and meet their clients budget prior to the delivery on site.
- D would be happy for ARUP, to be novated, but could achieve savings on design fees if they were allowed to appoint their own design team to implement the scheme.
- Key risk highlighted is the rail bridge interface. Network Rail should be engaged early to reduce delays in design and on site, as Asset Protection Agreements will be required.
- Proposed project team would be allocated 50% but could be increased to 100% if required.
- D agreed a two stage procurement route would deliver Value for Money versus a single stage route.
- D stated they could achieve cost certainty based on an RIBA Stage 3 design.
- D would assess the benefits of self-delivery versus their sub-contractor supply chain on a package by package basis. For example, they have an inhouse steel production company which could design and fabricate the bridges. However, it may be more economical to use a more local supplier as their company is in the north of the UK.
- D have experience of the form of contract and can accommodate contract values up to £400m.

Contractor E

Meeting held 4pm 24th May 2018 at ARUP's Office

- E are targeting specific projects not volume workload. Meridian Water is a project they are actively targeting and are very keen to be involved with going forward.
- E have the capability to carry out all the scope envisaged and believe it is achievable within the timescales dictated by the HIF funding.
- E prefer early contractor engagement in the design process to ensure the best Value For Money for their clients.
- E currently work with other local authorities and statutory bodies within the Greater London area and have provided references in their EOI response.
- E sub-contract 95% of their work as they believe this ensures competition and delivers Best Value.
- E would manage both on and off-site project processes.
- E have extensive district heating experience.
- E can provide specialist design advice for ground remediation and stabilisation work.
- E advised that they recently value engineered an infrastructure design under a PCSA process from £15m to £10m to enable the Client to proceed and deliver their project.

Contractor F

Meeting held 2pm 25th May 2018 at Enfield Council Office

- F group turnover is currently circa £130m and will be growing to £150m in 2018 including their overseas work in the Middle East.
- F are a fully accredited utilities installer for Gas, Water, Electric and Communications.
- F sub-contract the groundworks
- F highlighted early engagement with statutory providers of the Foul and Storm Water would be essential to manage, a key project delivery risk.
- F have an in-house utilities design capability.
- F would be happy to engage in the OJEU process and currently working on a PCSA with British Land.
- F would be willing to take on ground risk once the Site Investigations are provided, they would also consider clawback provisions in regard to HIF funding once the design and programme are clearly established.

Contractor G

Meeting held 9am 22nd May 2018 at Enfield Council Office

- G confirmed they were happy with the proposed OJEU procurement strategy and outline programme.
- G stated their division is utilities biased but following internal discussions, they could possibly involve a joint venture partner, possibly with MCLH, Keltbray or others dependent on the size of the packages.
- G would potentially have an issue with ARUP being novated and would assess this based on the design provided at tender stage.
- G highlighted the utilities as a key risk to the success of the project in terms of programme.

3.3 Assessment of Responders

Following the meetings and submission of the formal Expressions of Interest (EOI) Stace has undertaken a review of the information based on the scoring table below:

Assessment Methodology	
Expression of Interest Quality	High 5 to Low 1, 0 Not provided.
Forecast Spend % of Turnover	Higher than 50% require detailed financial checks
Turnover Vs Project Value	Scoring Low < 5% = 1 to High >25% = 5
Experience of Works	Scoring 1-5 (5 for experience of all work elements in project scope i.e. roads, flood, remediation, bridges, utilities)
Capacity	Scoring 1-5 (5 for proof of capacity within current workload projection)
Location	Scoring 1-5 (5 strong examples of work in project location and having local office i.e. within 25 miles)
Max Score	25

Stace has scored the contractors based on their Expression of Interest responses as follows:

Ref.	CONTRACTOR	Total Score out of 25
1	A	22
2	B	20
3	D	20
4	E	20
5	H	19
6	F	19
7	C*	17
8	J	16
9	G*	15

*Declined to provide an Expression of Interest

4.0 Conclusions

In order to proceed with a restricted OJEU tender procedure there is a minimum requirement that 5 contractors be invited to tender (ITT), following a pre-qualification process.

Based on the Soft Market Testing responses provided thus far, it is clear that there is sufficient interest and capacity within the market to openly invite tenders from the market via an OJEU procedure (final OJEU procedure to be confirmed).

In terms of next the steps, it is envisaged that the 9nr contractors who expressed an interest, will be kept updated on the development of the design of the works and further feedback will be sought from them on their views on the project designs until such time that a decision is made regarding the procurement route. This will both inform the design process and the delivery programme.