





**Beam Parkway  
Procurement Strategy**

Report  
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LB Havering

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# 1 Introduction

## **Scheme Background**

- 1.1 This report details procurement options for a major scheme to modify the A1306 in the London Borough of Havering between the western borough boundary with Barking and Dagenham at the Beam River, and Dovers Corner roundabout north of Rainham, some 2.2km to the east.
- 1.2 The Council proposes to remove one carriageway of the A1306; convert the other carriageway to two-way running; and redevelop the redundant carriageway as a linear park in support of the recently designated housing zone through which the A1306 runs.
- 1.3 To achieve this, a contractor is required with experience in highway construction, hard and soft landscaping, development of public art and construction of minor structures.

## **History**

- 1.4 The A1306 New Road has existed for over 100 years, and was designated as the A13 London to Southend road when roads were first classified in the 1920s. As that route became busier, New Road was improved, becoming dualled, with subways to assist pedestrians. South Hornchurch grew up to the north, but the area immediately south of New Road to the London, Tilbury and Southend railway has developed as a large industrial area, much of which grew up in support of the Ford plant in neighbouring Dagenham.
- 1.5 As the A13 became busier, a new A13 bypass was built to the south, and New Road was downgraded to become the A1306. Works were carried out over ten years ago to remove one carriageway east of Cherry Tree Lane; fill in the subways; add bus lanes and provide new lighting and repave the central reservation.
- 1.6 Meanwhile, much of the industry closed, and sites have become vacant. In support of its designation as a housing zone, LB Havering has concluded that the road remains oversized for its future use, and much of it can function as a two-lane single carriageway road. This creates the opportunity to develop the linear park to support the development of the housing zone.
- 1.7 The Council has secured Major Scheme Funding from TfL to deliver the project, which comprises new pedestrian and cycle facilities, landscaping, Sustainable Drainage in the form of swales, as well as other park features.
- 1.8 The scheme is currently progressing through Step 2, having received Step 1 authorisation in 2016.
- 1.9 The scheme will be required to present a full business case and detailed design, having passed through two design reviews and two value engineering assessments, prior to receiving

authorisation to proceed to Step 3. This will ensure the design is robust, deliverable, and meets industry standards.

## Funding Arrangements

- 1.10 Funding has been secured from Transport for London and from the GLA Housing Zone funding as well as through Havering's LIP settlement. The current agreed funding profile for the scheme is as shown in Table 1.1 below.

**Table 1.1: Agreed Funding Profile**

Funding source	Funding required by funding source by financial year (£k)						Total
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	
GLA Housing Zone grant	0	0	0	3,039	221	0	3,260
GLA Housing Zone recoverable grant	0	0	0	1,167	83	0	1,250
TfL Major Scheme funding	498	599	750	3,096	2,906	0	7,849
Havering LIP allocation / borough resources	0	0	0	0	455	50	505
	<b>498</b>	<b>599</b>	<b>750</b>	<b>7,302</b>	<b>3,666</b>	<b>50</b>	<b>12,865</b>

- 1.11 To achieve the spend profile it is necessary for a contractor to be on site by July 2019, and the procurement strategy needs to reflect this.

## 2 Procurement Objectives

### Client Aims and Objectives

- 2.1 The Council is seeking to deliver a transformative scheme for the A1306 which will create Beam Parkway' - a new boulevard including road, footpaths, cycleway, connective green infrastructure, public art, and leisure and amenity space - in place of the existing carriageway. This scheme will underpin the wider Housing Zone development, integrating the incoming and existing communities and providing accessible transport routes and public space.
- 2.2 Consultation with local stakeholders, businesses and residents has been ongoing since 2015.
- 2.3 To facilitate the construction of Beam Parkway, the Council wishes to commission an experienced principal contractor to deliver the work, responsible for sub-contracts where necessary to provide a coherent multidisciplinary team.
- 2.4 The appointed contractor will have overall responsibility for the construction programme management, which will involve project managing a range of multifaceted tasks and objectives.
- 2.5 The contractor will be required to:
  - 1. Review proposed scheme design and feasibility work already undertaken, in order to validate information included and confirm viability and deliverability.
  - 2. Develop a cash flow model for the programme which is suitable and can be used to inform the base case.
  - 3. Develop a viable approach for construction delivery, taking into account timescales and proposals for surrounding housing development, including a realistic phasing programme.
  - 4. Prepare a schedule of construction prioritisation, including options for prioritising different areas of development which can be adjusted according to housing delivery starts on site.
  - 5. Support project/programme communications, enabling and maintain open channels of communication throughout the project lifetime which consistently reflect key messages.
  - 6. Carry out project reporting across a range of formats, ensuring regular and relevant updates and briefings for all team members and stakeholders, internally and externally.
  - 7. Undertake risk management, identifying, assessing and mitigating project risks to ensure the programme is delivered on time and within budget.
  - 8. Establish a project cost plan, including an assessment of additional funding options which may be available.
  - 9. Identify and commission any additional surveys required to inform completion of the project.

- 2.6 In order to fulfil these requirements, the appointed contractor will need to have experience in other relevant large scale, multi-disciplinary transformation projects – including a comprehensive directory of sub-contractors they are able to work with.
- 2.7 Bidders may therefore need to pre-qualify, in order to assess their technical and professional capability.

### Assessment of Objectives

- 2.8 Key Drivers for the project have been identified and graded in accordance with the client's priorities in accordance with the method previously used on the Romford Market House project.
- 2.9 The method aims to grade in order of importance how selected procurement methods compare to the client's own priorities. Each element is scored from 1 (low priority) to 9 (high priority).
- 2.10 The elements are listed in Table 2.1 below, together with the client's priority score.

**Table 2.1: Client Priority Score**

Element	Description	Client Score	Comments
Time	Is early completion desirable	5	No – provided spend profile is achieved. Some advantage in later completion because of housing zone development speed.
Cost	Is a firm price required prior to commitment of any construction works	7	Prior to commencement of construction – very important. Prior to letting Early Contractor Involvement – less so.
Flexibility	How likely is it that the client will need to make significant variations	4	Possible with regard to interface with housing zone, within known parameters.
Complexity	Is the scheme highly specialised or technologically advanced	4	Broad range of technical skills required, including landscaping, but most construction techniques will be familiar to an experienced highway and public realm contractor.
Quality	How important is build quality	9	Very important – good workmanship is essential.
Programme	Is completion on time required	9	Yes, to meet spend commitments.
Budget	Is completion within a budget required?	9	Yes, within spend profile.
Responsibility	Is a single point of responsibility required across the whole contract?	7	Yes, but note that TfL traffic signals will appoint their own contractor for their element of the works.
Risk	Is the transfer of appropriate risk required	9	Yes.

- 2.11 The client score can be summarised in a radar chart as shown below in Figure 2.1.



Figure 2.1: Client Score Radar Chart



2.12 Different procurement routes can be assessed against these criteria to find a best fit process that closely resembles the client’s aspirations.

## 3 Procurement Options

### High Level Options

- 3.1 Procurement options have been considered taking into account the size of the project (up to £13.5M) and the scope of works, which includes carriageway and other paving, hard and soft landscaping including specialist planting and swales.

#### Existing Frameworks

- 3.2 Transport for London have two frameworks available to LB Havering:
- London Highways Alliance Contract (LoHAC)
  - TfL Major Projects Framework.
- 3.3 The LoHAC framework is an area-based contract with three contractors each covering approximately one-third of London. It is understood that Havering would be required to use the area contractor covering the Havering Area. There is no competition, and rates are based on the tendered LoHAC rates.
- 3.4 The LoHAC contract is based around highways maintenance and schemes up to around £5,000,000. Both the scope of work for Beam Parkway and the value of the contract are out of keeping with the LoHAC contract, and the lack of competition is a concern.
- 3.5 The Major Projects framework has three large multi-disciplinary contractors who compete for work under a mini competition. The contract is based around large scale complex civil engineering works such as major junction schemes, station upgrades and bridges/tunnelling work, typically from £10M upwards. Beam Parkway is therefore a good fit in terms of value, but not in terms of scope, where experience of landscaping, traffic management and liaison with developers is much more appropriate.
- 3.6 As there are only three contractors on the framework and one available contractor under LoHAC, and the Beam Parkway scope is not a good fit to either form of contract, it is recommended that LB Havering do not use either of these frameworks.
- 3.7 We have considered other construction frameworks are available within London, but there are no others that are suited to projects of this scale or scope of works. It is therefore recommended that LB Havering secures a contractor under a bespoke procurement process.

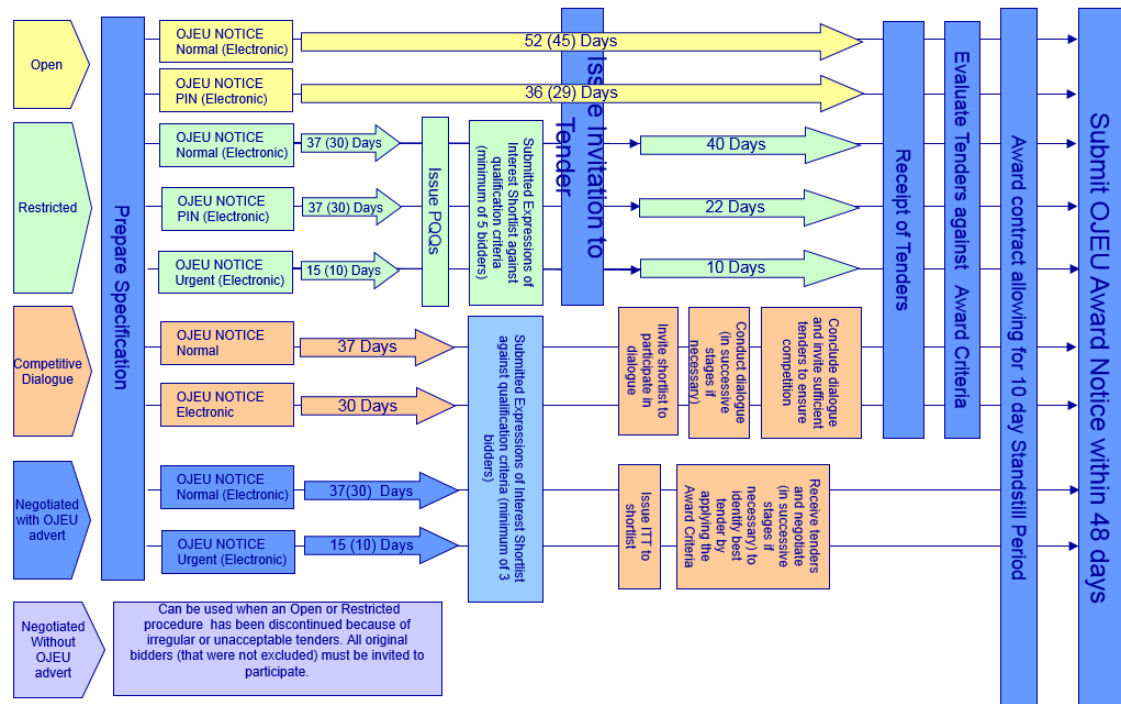
### OJEU Procurement Options

- 3.8 As the works value for Beam Parkway is in excess of the EU Procurement threshold, a full OJEU process is required. There are a number of options which depend on timescale and client requirements. These are outlined in Figure 3.1 below. These processes are independent of the decision regarding contractual arrangements.

### 3.9 There are five main types:

- Open
- Restricted
- Competitive Dialogue
- Competitive negotiation with OJEU Advert
- Negotiated without OJEU Advert

Figure 3.1: Outline of OJEU Process.



3.10 Choice of route depends on the amount of information available to the contractor at the time of bidding. In the case of Beam Parkway, the design team will be able to deliver a robust set of Employers' Requirements which will define a comprehensive project scope – in simple terms the team will know what they want to build. The team values contractor input into the design process to ensure that the project can be built efficiently and maximum value can be achieved. Therefore, while the project could be designed to full detailed specification, it is considered that there is an advantage in engaging a contractor to take part in the design process. This is developed further under contractual arrangements.

3.11 The following table summarises the advantages and disadvantages of each option.

Table 3.1: Comparison of OJEU routes

OJEU Process	Advantages	Disadvantages	Outcome
Open – A single stage tender open to all EU eligible contractors	Any contractor can bid so potential for a large field to include some good contractors.	There may be a large number of unsuitable tenders to evaluate. May be difficult to get the best contractors to tender as they will consider their likelihood of winning to be too low	The best tender submission may not be able to demonstrate sufficient knowledge, skills and experience or corporate organisation to deliver the project.

<p>Restricted - A two-stage process where any contractor may submit a Pre-Qualification Questionnaire (PQQ). These include enough information for the client to shortlist a number of contractors with the corporate knowledge, skills and experience and organisational capability to deliver the project.</p> <p>Second stage allows tenderers to submit a price and scheme specific method statements including details of staff to be used on the project.</p>	<p>Enables contractors with right corporate skills to be shortlisted so that there are only a small number of tender submissions to be evaluated.</p> <p>Good contractors are likely to bid as if they make it to the second stage, their chances of success are reasonable.</p>	<p>Requires a fully defined project scope.</p>	<p>The successful contractor will have demonstrated good corporate ability through the PQQ stage and good project capability through the ITT stage – a good fit if the project scope is well defined.</p>
<p>Competitive Dialogue – a two stage process where the first stage generates a short list of contractors (PQQ) and the second stage comprises one or more competitive dialogue processes to refine scope. Once scope is confirmed, formal tenders are invited</p>	<p>Suitable for a less-well defined project scope where the contractor will need to work to develop the design brief.</p>	<p>Likely to involve three contractors going through the competitive dialogue process, requiring significant work with no guarantee of success.</p> <p>Time consuming</p>	<p>The successful contractor will have demonstrated good corporate ability through the PQQ stage and good project capability through the ITT stage – likely to be a better fit than the restricted procedure if the project scope is less well defined.</p>
<p>Competitive with Negotiation with OJEU Advert – a two stage process where the first stage generates a short list of contractors (PQQ) and the second stage comprises a tender process, following which the Employer negotiates to identify the best tender.</p>	<p>Requires a reasonably well-defined scope but allows for negotiation to obtain the best tender</p>	<p>No significant advantage over Competitive Dialogue or Restricted.</p> <p>Time consuming</p>	<p>The successful contractor will have demonstrated good corporate ability through the PQQ stage and good project capability through the ITT stage, but is time consuming and doesn't offer any significant advantages to Beam Parkway over the Restricted procedure.</p>
<p>Negotiated without OJEU Advert</p>	<p>Can be used when one of the other processes has been discontinued. All tenderers remaining in the original process must be invited to participate.</p>		<p>Can only be used if one of the other options has failed – not a first choice option.</p>

- 3.12 The Innovation route is used when a project requires specific detailed research and development to generate an output. It is not relevant for this project as there is a defined scheme.
- 3.13 In all cases, it is essential that very clear award criteria are agreed prior to embarking on the formal process.
- 3.14 At the time the project is tendered, a complete set of Employers' Requirements will have been generated. This will include details of all main features developed to the point where the layout of the park and how it functions are fully defined. There will be scope for the

contractor to input into the design process to ensure that the project is buildable, and there is an opportunity to refine the design to ensure that the project remains within budget.

- 3.15 In view of the level of detail available at the time of tender, it is therefore recommended that the Restricted Process is adopted.

#### **Tender Criteria**

- 3.16 Havering's standard procurement rules require a 30:70 quality:price split when assessing tenders. This ratio is suitable for routine work where there are no bespoke features and consequently, project risks are similar to those experienced on most contracts.
- 3.17 In the case of Beam Parkway, the client's objective is to create a high quality public realm in support of the Rainham Housing Zone, where a high quality of workmanship is required using a mix of materials. The contract includes significant amounts of landscaping, as well as development of swales, and requires a contractor with a broader range of experience than a traditional roadworks contractor.
- 3.18 There is also a need to proactively engage with the community before and during construction, and regardless of the route chosen, it is essential that the selected contractor is able to participate fully in this process.
- 3.19 The successful contractor must be able to demonstrate that they have the organisational capability to deliver the work, as well as the right people with knowledge skills and experience to work on the project.
- 3.20 At the pre-qualification stage, there is no confirmed project timescale, and as such, while the contractor may include an organogram to demonstrate typical staffing arrangements, there is no guarantee that specific personnel demonstrated will be available to deliver the project. Therefore, contractors must be asked to propose their project team at ITT stage.
- 3.21 Similarly, at pre-qualification, the contractor may be able to give a high-level approach to the project, but they won't be able to provide a detailed approach until full contract details are available at ITT stage. Areas such as interfaces between the scheme and housing developments, traffic management throughout the build programme, and proactive stakeholder engagement will be undefined at pre-qualification but sit within the scope for the ITT.
- 3.22 At pre-qualification, the tenderers can provide evidence of their organisational capability to deliver the project; that is they have track record in similar projects and have a range of staff with the right skills. However, it is not until full works information is provided at ITT stage, with a confirmed contract period, that a contractor can provide a comprehensive approach to the project delivered by a named team with appropriate knowledge, skills and experience.
- 3.23 Therefore, it is recommended that the quality:price ratio is set to 60:40 to address the fact that the pre-qualification process cannot fully assess the contractors' detailed approach and team for undertaking specific project requirements for a high quality scheme.

## Form of Contract

- 3.24 The selected OJEU Procurement route can be used with any standard form of contract. Suitable options for this kind of work include the **traditional** route where the contractor prices to build the employer's design, and **design and build** options where the contractor prices to design and build the employer's design in line with the employer's requirements. These options are outlined below:

### Traditional Lump Sum

- 3.25 A traditional lump sum contract places design responsibility and risk with the Employer, and programme / financial risk mapped in accordance with the contract.
- 3.26 The Employer will provide:
- Full design package with drawings and specification (Works Information)
  - Site Information Pack
  - Some items can be contractor designed, but this is usually limited to bespoke elements of the works.
- 3.27 The contractor will provide a lump sum tender to undertake the works as defined in the Works information.

#### *Advantages*

- Employer retains full control of the detailed design;
- Good level of cost certainty provided there are no variations – that the design is well co-ordinated, comprehensive and risks are understood and managed.
- Good level of programme certainty provided there are no variations – that the design is well co-ordinated, comprehensive and risks are understood and managed.
- Contractor takes risks on quantities for defined works.
- Usually provides a competitive price;
- Good mechanism for agreeing compensation events and programme extensions for variations;
- Short tender period as no (minimal) contractor design);
- Main contractor provides main point of contact for construction phase; and
- Familiar procurement process where risks are well understood.

#### *Disadvantages*

- Employer takes all cost and programme risk on the quality of the design information, including scope gaps, which tends to attract significant post-contract variations;
- Full design very difficult to achieve as unforeseen risks occur;
- Client retains significant risk;
- Opportunities for use of Early Contractor Involvement prior to finalising price is limited.
- Several points of contact for the scheme as design and construction duties are separate (no single point of contact).

### **Traditional Remeasurable**

- 3.28 A traditional remeasurable contract using a bill of quantities has been considered and discounted because in addition to all the risks surrounding the traditional lump sum contract, the Employer also carries the risk for quantities.

### **One Stage Design and Build**

- 3.29 A single stage design and build contract requires a detailed set of Employer's Requirements to be drawn up, including designs and specifications in sufficient detail to enable the Employer to get the end product required, at the level of quality required.
- 3.30 Following shortlisting of contractors through a PQQ process, the tenderers submit their fixed price based upon designing and building works that comply with the Employer's Requirements.
- 3.31 The contractor is then appointed to design and build the scheme.
- 3.32 The Employer will provide:
- Comprehensive set of Employer's Requirements with sufficient drawings and specifications to define the project scope (Works Information)
  - Site Information Pack
- 3.33 The contractor will provide a lump sum tender to design and build the works as defined in the Works information.

#### *Advantages*

- Cost certainty as contractor prices to design, build and accept project risks in accordance with the contract documents;
- Programme certainty;
- Low cost and programme risk to Employer;
- Allows for transfer of design risk including scope gaps;
- Good cost control;
- Single point responsibility for design and build;
- Commonly used form of contract.

#### *Disadvantages*

- Opportunities for full use of Early Contractor Involvement prior to finalising price is limited;
- Longer tender period;
- Longer evaluation period prior to award;
- Employer's Requirements need to be very well defined to ensure required quality, programme and cost certainty;
- Post contract change will require allowance for design and risk as well as the build cost;
- Risk transfer to contractor will be paid for as part of the tender sum.

### **Two Stage Design and Build**

- 3.34 A two-stage design and build contract also requires a detailed set of Employer's Requirements to be drawn up, including designs and specifications in sufficient detail to enable the Employer to get the end product required, at the level of quality required.
- 3.35 Following shortlisting of contractors through a PQQ process, the tenderers submit their fixed price to complete the design, and an indicative price for the works, based upon designing and building works that comply with the Employer's Requirements.
- 3.36 The contractor is then appointed to design the scheme. This is reviewed by contractor and Employer to ensure that the works comply and that the project remains deliverable within budget and programme. Project scope is therefore refined giving excellent price and programme certainty.
- 3.37 The contractor is then appointed to build the scheme, though there is the opportunity to break the agreement at this stage (Break Clause) should there be financial or programme issues that cannot be resolved.
- 3.38 The Employer will provide:
- Comprehensive set of Employer's Requirements with sufficient drawings and specifications to define the project scope (Works Information)
  - Site Information Pack
- 3.39 The contractor will provide a lump sum tender to design the works as defined in the Works information, and an indicative price to build.

#### *Advantages*

- Formalised Early Contractor Involvement in design process;
- Cost certainty at start of construction as contractor prices to build his own design and accept project risks in accordance with the contract documents;
- Programme certainty;
- Low cost and programme risk to Employer;
- Allows for transfer of design risk including scope gaps;
- Good cost control;
- Single point responsibility for design and build.

#### *Disadvantages*

- Longer tender period;
- Longer evaluation period prior to award;
- Employer's Requirements need to be very well defined to ensure required quality, programme and cost certainty;
- Employer time required to work with contractor to refine scope and price is significant;
- Post contract change will require allowance for design and risk as well as the build cost;
- Risk transfer to contractor will be paid for as part of the tender sum.



## Procurement Scoring

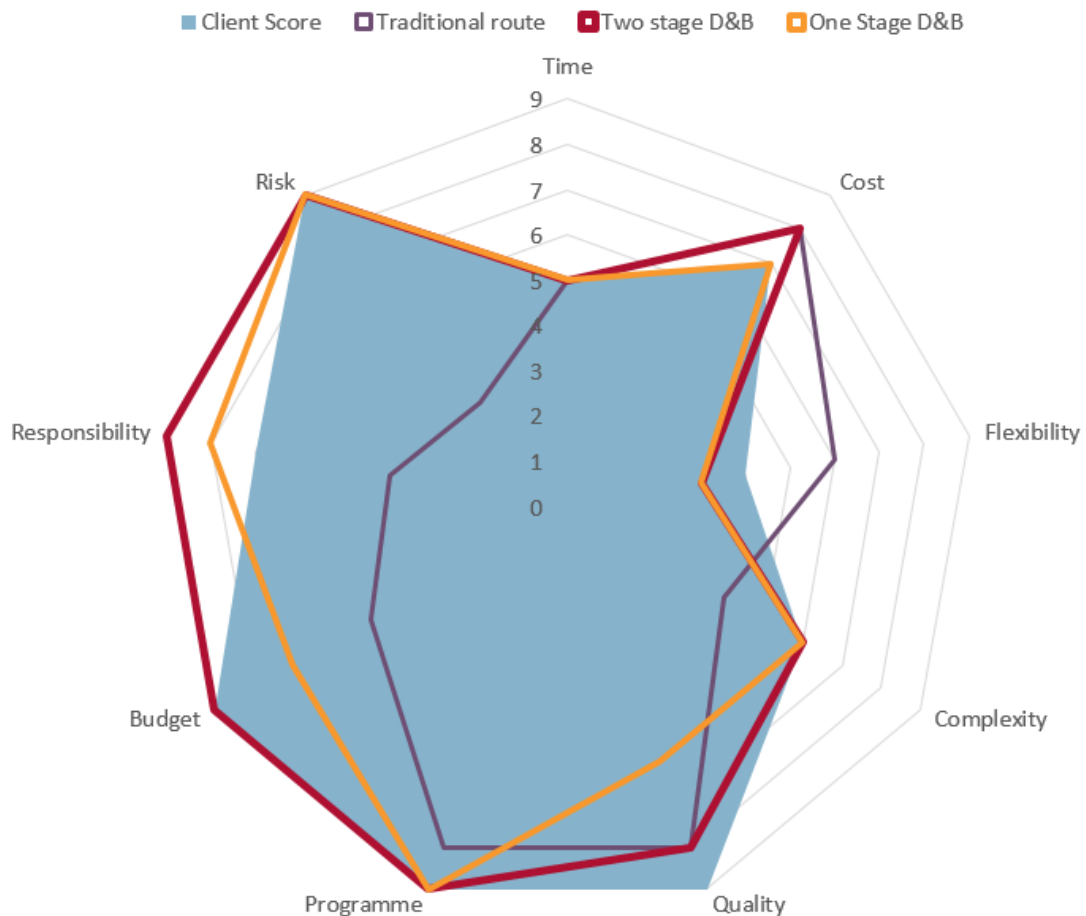
- 3.40 The three options have been scored against the client requirements as shown in Table 3.2 below. (The traditional remeasurement option has not been scored as it carries more financial risk to the Employer than the traditional lump sum route):

**Table 3.2: Procurement Option Scoring**

Element	Description	Comments	Client Score	Trad. route	Variance	Two stage D&B	Variance	One Stage D&B	Variance
Time	Is early completion desirable	No – provided spend profile is achieved. Some advantage in later completion because of housing zone development speed.	5	5	0	5	0	5	0
Cost	Is a firm price required prior to commitment of any construction works	Prior to commencement of construction – very important. Prior to letting Early Contractor Involvement – less so.	7	8	1	8	1	7	0
Flexibility	How likely is it that the client will need to make significant variations	Possible with regard to interface with housing zone, within known parameters.	4	6	3	3	-1	3	-1
Complexity	Is the scheme highly specialised or technologically advanced	Broad range of technical skills required, including landscaping, but most construction techniques will be familiar to an experienced highway and public realm contractor.	6	4	-2	6	0	6	0
Quality	How important is build quality	Very important – good workmanship is essential.	9	8	-1	8	-1	6	-3
Programme	Is completion on time required	Yes, to meet spend commitments.	9	8	-1	9	0	9	0
Budget	Is completion within a budget required?	Yes, within spend profile.	9	5	-4	9	0	7	-2
Responsibility	Is a single point of responsibility required across the whole contract?	Yes, but note that TfL traffic signals will appoint their own contractor for their element of the works.	7	4	-3	9	2	8	1
Risk	Is the transfer of appropriate risk required	Yes.	9	3	-6	9	0	9	0
Totals			65	51	-14	66	1	60	-5

3.41 The scoring is illustrated on the radar chart in Figure 3.2 below.

**Figure 3.2: Procurement Option Scoring Chart**



3.42 It can be seen that the two-stage design and build option offers the best fit to the Client's objectives, with the traditional route being the poorest fit.

## Contract Conditions

3.43 There are a number of families of contract available for these routes that may be appropriate for Beam Parkway. These include:

- JCT Contract – suitable for building projects. Also occasionally used for highways and public realm, but not designed for this use. Design and Build or Traditional versions are available.
- New Engineering Contract 4<sup>th</sup> Edition (NEC4). The most recent edition of the widely used and understood NEC3 suite of contracts with options including design and build and traditional approaches. It is suitable for highways and public realm work. An updated version (NEC4) is now available and it may be appropriate to opt for this instead of NEC3.

3.44 The ICE Conditions of Contract are no longer published.

3.45 Of these, the NEC contracts provide a wide range of options and are well understood. The JCT contracts could also be used, but the NEC offers more benefits than the others, and is

therefore recommended. The contract can be modified by use of Z clauses, but it is recommended this is done with caution.

- 3.46 It is advised that the client team undergoes specific contract training regarding the use of the NEC4 contract prior to agreeing who should undertake the key contractual role of Project Manager and Supervisor.

## Conclusion

- 3.47 The traditional option is not a good fit for the client's requirements and is rejected.
- 3.48 The framework option is rejected because of the limited choice of contractor and tie in to specific rates for certain elements, with no tendered rate for bespoke elements.
- 3.49 The best fit option is the two-stage design and build, which allows effective Early Contractor Involvement to inform the design process, and allows the design to be developed within the project budget and programme constraints. It also offers good opportunities to transfer appropriate risk to the contractor.
- 3.50 It exceeds the requirement for responsibility by creating a single point of responsibility for design and construction, scoring higher than the single stage Design and Build Option because the early contractor involvement allows more time for the contractor to take ownership of the project.
- 3.51 The quality:price ratio should be set to 70:30 as the PQQ process can only assess the corporate capability of the company to deliver a scheme. At this stage, no contractor can commit their staff to a project for which they may not even pre-qualify, and therefore the tender stage assessment needs to consider in detail how the tenderers will approach the project, and who will be responsible for delivering the work.

## 4 Recommendation

- 4.1 It is recommended that the project is procured through a two-stage NEC4 Design and Build route, with a fully defined set of Employer's Requirements to ensure quality and scope is achieved.
- 4.2 This option offers good programme and cost certainty, and allows for the transfer of appropriate risk to the contractor.
- 4.3 The tender process should be assessed on the basis of a quality:price ratio of 60:40.



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