

# Finances and Resources Committee

10.00am, Thursday 7 March 2019

## Edinburgh Tram York Place to Newhaven Project – Infrastructure and Systems Contract – Award of Contract

Item number	7.5
Executive/routine	
Wards	
Council Commitments	

### 1. Recommendations

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- 1.1 Approves the award of Contract to Sacyr Farrans Neopul Joint Venture (SFN JV) for the notional contract sum of £105,915,617.50 for the Edinburgh Tram York Place to Newhaven Project – Infrastructure and Systems Contract subject to approval by Full Council of the Final Business Case (FBC) for the Project on 14 March 2019. This cost is based on a tendered target cost for works which will be fully developed over the course of a six-month Early Contractor Involvement (ECI) Period where SFN JV will work closely with the Project Team to test buildability, undertake surveys, value engineer and develop further innovation into their design.

**Paul Lawrence**

Executive Director of Place

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## Edinburgh Tram York Place to Newhaven Project – Infrastructure and Systems Contract – Award of Contract

### 2. Executive Summary

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- 2.1 On 21 September 2017, the Council approved a series of activities for the completion of a Final Business Case (FBC) for the Edinburgh Tram York Place to Newhaven Project which included the commencement of a procurement process for the main Infrastructure and Systems (I&S) Contract. This report seeks the approval of the Finance and Resources Committee to approve the outcome of the procurement process and award a contract to SFN JV for the notional contract value of £105,915,617.50 subject to approval of the FBC at Full Council on 14 March 2019.

### 3. Background

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- 3.1 On 13 February 2017, Commercial and Procurement Services, in conjunction with the Trams to Newhaven Project team and its advisors, commenced market research for the Edinburgh Tram York Place to Newhaven Project by placing a Prior Information Notice (PIN) in the Official Journal of the European Union to inform the Outline Business Case. The PIN included an option for interested contractors to respond to a questionnaire and attend sessions with the Project Team to participate in finalising a procurement strategy for the Project.
- 3.2 17 organisations returned questionnaires with 11 attending the face to face sessions focussed on the market opportunity, scope of the procurement process, quality cost ratio, risk transfer, innovation, and whole life costing. The feedback from these sessions allowed the Council to finalise a procurement strategy for the Project.
- 3.3 The most appropriate route to market was assessed to be dividing the Project into two Lots – Lot 1 would seek applications for the Main Infrastructure and Systems Contract and Lot 2 would seek applications for a Swept Path Contract.
- 3.4 This outline contracting strategy was approved at Full Council on 21 September 2017 and approval to proceed with the procurement granted. This report provides the outcome of that procurement process and recommends that Finance and Resources Committee approve the contract award for Lot 1 – Infrastructure and

Systems Contract to the most economically advantageous bidder, SFN JV, a fully integrated joint venture between Sacyr UK, Farrans Construction and Neopul.

## 4. Main report

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- 4.1 The City of Edinburgh Council wishes to appoint a suitably qualified and experienced contractor for the I&S Contract works for the Edinburgh Tram York Place to Newhaven Project. The scope of the I&S Contract is for the design and construction, systems integration, testing, commissioning and bringing into operational service of the Edinburgh Tram York Place to Newhaven Project.
- 4.2 Commercial and Procurement Services, in conjunction with the Trams to Newhaven Project Team and its advisors, has conducted the procurement process in accordance with the negotiated procedure as set out in the Utilities Contracts (Scotland) Regulations 2016.
- 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 25 October 2017, seven applicants applied to be prequalified to receive an invitation to tender. The prequalification submissions were individually evaluated by the eight members of the prequalification evaluation team, against the five selection criteria and the scoring matrix included in the Procurement Information Document. The financial and economic standing of the applicants was also evaluated.
- 4.4 Following this evaluation, the top four ranked applicants were invited to tender. The number of tenderers was based on a desire to ensure sufficient market interest by not having too many tenderers, balanced by a desire to ensure sufficient competitive tension in the process whilst having cover in the event of the withdrawal of one or more tenderers during the process. All four tenderers were strong candidates with experience in the successful delivery of tram projects in the UK and Europe.
- 4.5 During the tender period, two tenderers withdrew, citing difficulties with getting their internal governance approval for the responsibilities and liabilities they were required to undertake under the terms of the Contract.
- 4.6 The invitation to tender noted that the Contract would be awarded based on the most economically advantageous tender with 40% of the overall score being given to quality and 60% given to price. This ratio was determined based on the value of the Contract and the high level of detail available to the tenderers in terms of the scope of work and reference design and approved by the Project Board.
- 4.7 Tenders were received from the remaining two tenderers on 7 September 2018. These tenders were then evaluated in accordance with the evaluation criteria set out in the invitation to tender.
- 4.8 Following the initial quality evaluation of the tenders, the evaluation team identified some areas for enhancement in both tenders and some areas requiring clarification.

In response to this the Project Team, in consultation with the Project Board, the Council Leadership Team and elected members, took a decision to run a Best and Final Offer (BAFO) stage in the procurement. This approach provided an opportunity for tenderers to improve their submissions and provide the Council with the most economically advantageous tenders.

- 4.9 BAFO submissions were received from both tenderers on 16 November 2018 and evaluated in accordance with the evaluation criteria set out in the invitation to tender.
- 4.10 A total of 14 qualitative criteria were evaluated, each having different weightings and each being scored between 0 and 10 in accordance with the scoring definitions included in the tender instructions issued to the tenderers. 13 of these were evaluated from the tenderers' written tender submissions and the final criterion was evaluated based on interviews with the tenderers.
- 4.11 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 and not be considered further. In addition, an overall minimum score of 60 marks out of 100 for the full qualitative submission was set to ensure that the winning bid was deemed to be of good quality. Both tenders scored above the minimum marks.
- 4.12 Each criterion was evaluated individually by at least three people. On completion of these individual evaluations, a consensus meeting was held for each criterion, attended by the relevant members of the evaluation team and the procurement lead from Commercial and Procurement Services. 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 40% for each bidder.
- 4.13 The tenderers' pricing submissions were opened and separately evaluated by the Project's external cost consultants, Turner and Townsend. The lowest priced tender received was awarded the maximum score of 60% for price, with the other tender scored on a pro-rata basis against this lowest bid.
- 4.14 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%.
- 4.15 The scores achieved by each bidder are:

<b>Bidder</b>	<b>Quality Score</b>	<b>Price Score</b>	<b>Total Score</b>
SFN JV	31.30	60.00	91.30
Bidder 2	31.60	54.73	86.33

- 4.16 The construction cost resulting from the tender process is £105,915,617.50. Additional costs required to deliver the Trams to Newhaven Project, including

enabling works, project management, risk and optimism bias will be reported as part of the FBC which will be considered by Full Council on 14 March.

## **5. Next Steps**

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- 5.1 The FBC will be considered at Full Council on 14 March 2019. The approval of the Finance and Resources Committee in relation to the procurement process will not have any impact on the approval of the FBC though the approval of the FBC may be delayed if the procurement process is not approved.
- 5.2 If the FBC is approved at Council, a mandatory 10-day standstill period will commence before entering into contract with SFN JV.

## **6. Financial impact**

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- 6.1 The initial target cost of the Infrastructure and Systems Contract is £105.92m although it is recognised that the target cost may vary, depending on the level of agreed compensation events.
- 6.2 A Project Bank Account will be operated for this contract. This ring-fenced bank account will act as a channel for payment to ensure that contractors, key subcontractors, and key members of the supply chain are paid on the contractually agreed dates.
- 6.3 The Contract being used is the NEC4 Option C target cost contract which includes a contractual mechanism for both parties to share any savings should the costs incurred fall below the final target, the share of savings is split 50/50 with no limit. The Contract also includes a mechanism for both parties to share the risk of any cost overruns on a 50/50 basis up to a threshold of 120% for all elements, except the systems sub-contract scope which has no threshold.
- 6.4 The above cost, together with the costs of enabling works, project management and allowances for risk, contingency and optimism bias will be included in the Final Business Case for the Trams to Newhaven Project, which is due to be considered by Council on 14 March 2019. The award of this Contract is contingent upon Council approval of the Final Business Case and approval of the Swept Path Contract
- 6.5 The costs associated with the procurement of this Contract are approximately £0.08m which includes internal and external project resource. This has been funded through the budget approved by Council in September 2017 for the development of the Final Business Case.

## **7. Stakeholder/Community Impact**

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- 7.1 The Council has a Community Benefits in Procurement Programme and as part of the evaluation process SFN JV has committed to community benefits including:

- Work placements for 21 unemployed or college/university students;
- Creation of 21 new jobs - 5 apprentices, 10 graduate jobs, 5 jobs for long term unemployed and 1 disadvantaged priority group person;
- Support to local schools and colleges through workshops and site visits and safety talks;
- Local supply chain opportunities – commitment for 70% of supply chain spend to be sourced within a 60-mile radius of the site; and
- 6 community engagement events such as local clean ups and volunteering with community groups.

## **8. Background reading/external references**

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- 8.1 Edinburgh Tram – York Place to Newhaven – updated Outline Business Case. Report to Full Council, [21 September 2017](#).
- 8.2 [Edinburgh Tram – York Place to Newhaven Final Business Case](#) – report to Transport and Environment Report, 28 February 2019

## **9. Appendices**

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Appendix 1 - Summary of Tendering and Tender Evaluation Processes.

## Appendix 1 - Summary of Tendering and Tender Evaluation Processes

<b>Contract</b>	<b>Edinburgh Tram York Place to Newhaven – Infrastructure &amp; Systems Contract</b>	
Notional Contract Value	£105,915,617.50	
Procurement Route Chosen	Negotiated Procedure	
Tenders Returned	2	
Name of Recommended Supplier(s)	Sacyr Farrans Neopul Joint Venture	
Price / Quality Split	<b>Price 60%</b>	<b>Quality 40%</b>
Evaluation criteria and weightings	<b>Price</b>	<b>60%</b>
	<b>Quality</b>	<b>40%</b>
	Project Team	10%
	Programme and Traffic Management	12.5%
	Stakeholder Management	5%
	Approach to ECI	10%
	Track Design	12.5%
	Design Development and Optimisation	7.5%
	Design Management	5%
	York Place Tie-In Works	5%
	Construction Methodology	5%
	Systems Integration	7.5%
	Systems Testing and Commissioning	7.5%
BIM	5%	
Community Benefits	5%	
Fair Work Practices	2.5%	

<p>Evaluation Team</p>	<p>Project Director, Edinburgh Tram Project  Depute Senior Responsible Officer, Edinburgh Tram Project  Engineering Manager, Edinburgh Trams  Senior Project Manager, Turner &amp; Townsend  Project Manager, Turner &amp; Townsend  Senior Cost Consultant, Turner &amp; Townsend  BIM Advisor, Turner &amp; Townsend  Programme Advisor, Turner &amp; Townsend  Technical Advisor, Atkins  Technical Advisor, Atkins  Stakeholder Engagement Manager  Policy and Planning Manager  Senior Engineer, Transport  Service Manager, Economic Development  Service Manager, Economic Development  Client Manager, Communications</p>
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