

Cabinet Member Delegated Decision Report – 13 February 2019

Report title: Contract Award for Residential Statutory and Non-Statutory Valuation Services

Wards: All

Portfolio: Councillor Andrew Wilson Cabinet Member for Finance

Report Authorised by: Christina Thompson, Interim Strategic Director Finance and Investment

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Report summary

This report summarises the results of the further competition against the Crown Commercial Services Framework (Ref: RM 3816) for a new contract for Residential Statutory and Non-Statutory Valuation Services for Housing Services for a contractual term of 3 years plus optional one year extension with a total value of up to £750K. Service provision will commence on 1st March 2019 following a short mobilisation period. The Crown Commercial Services Framework (RM 3816) was selected as the preferred procurement route as it has carried out a fully OJEU compliant pre-qualification exercise and the twelve suppliers on its Lot 1 national panel provide the professional valuation services required.

Finance summary

The contract's estimated value is £750,000 for both the 3 year contract period from 1st March 2019 to 28th February 2022 and the option to extend for a further year until 28th February 2023. Expenditure on fees will vary from year to year depending, in particular, upon the number of Right to Buy (RTB) applications made. The number of RTBs fell from 537 in 2016/17 to 292 in 2017/18. Valuation services for RTB, Leasehold Reform leasehold extensions and enfranchisement, collective enfranchisement and other minor disposals and valuations will be called-off against the supplier's tendered rates as required and in accordance with approved budgets.

Recommendation

To award the contract for Residential Statutory and Non-Statutory Valuations for the Council's Housing Services to BNP Paribas Real Estate Advisory and Property UK Ltd for a contract term of 3 years from 1st March 2019 to 28th February 2022 through the Crown Commercial Services (Ref: RM 3816) Lot 1 National Panel, plus optional one year extension to 28th February 2023, with a maximum contract value of up to £750,000. Services will be delivered through their wholly owned subsidiary, Strutt and Parker who are experienced specialists in residential valuations.

Reasons for Exemption from Disclosure

The accompanying Part II report is exempt from disclosure by virtue of the following Paragraphs of Schedule 12A to the Local Government Act 1972:

Paragraph Three: Information relating to the financial or business affairs of a particular person (including the authority holding that information).

1. Context

- 1.1 The existing contracts for residential valuations and estates professional services (the incumbent provider being Lambert Smith Hampton) were extended until 28th February 2019 to allow time to complete a procurement exercise. The Crown Commercial Services Framework (Ref: 3816) Lot 1 National Panel was selected as the preferred procurement route as it is open to public sector bodies, including local authorities, to use and is fully compliant with the requirements of the Official Journal of the European Union (OJEU). It became available for use from 22nd August 2017 and expires on 21st August 2021 and allows for contract awards up to 21st August 2023. The Framework (RM 3816) Lot 1 National Panel offers the best fit for Lambeth in terms of the range of property professional services and the suppliers in the market who would bid for this type of contract.

2. Proposal and Reasons

- 2.1 The Procurement Board held on 14 August 2018 gave approval to commence tender action for the procurement of two contracts for Residential Statutory and Non-Statutory Valuations and Estates Professional Services by way of a fully OJEU compliant further competition against the Crown Commercial Services Framework (RM 3816). The tender for Estates Professional Services was covered in a separate report and the contract awarded.
- 2.2 The *Invitation To Tender* (ITT) was placed on the EU Supply, Lambeth's online tendering portal on 4th October 2018, and all bidders on the Lot 1 panel additionally received individual email invitations to bid. The incumbent supplier had been aware of the intention to tender since its contract was extended in July 2018.
- 2.3 It was not necessary to issue Standard Selection Questionnaires to suppliers as part of a two stage OJEU compliant procurement procedure as the OJEU stage 1 quality pre-qualification had already been undertaken by the CCS prior to accepting the supplier onto the Framework. It is a condition of remaining on the Framework that suppliers notify the CCS of any changes in their financial circumstances, nevertheless, they were asked by Procurement to reconfirm. The successful supplier has confirmed there were no circumstances currently or in the foreseeable future which would impact their eligibility to be on the Framework or to perform the required services specified.

Tender Evaluation

- 2.4 Tender evaluation was in accordance with the agreed procurement strategy. To ensure the Council's particular quality requirements are met consistent with competitive pricing, a 50% Quality and 50% Pricing ratio was adopted. The quality evaluation criteria are set out in Table 1 below.
- 2.5 The Quality Evaluation Panel assessed tender responses to each of the ITT quality questions summarised by key area in Table 1 and the Quality Marking Scheme in Table 2 below. Only if the response achieved the minimum acceptable Quality Score of 60% was the bidder included in the Price Evaluation process. The Quality Panel members included:
- Director of Housing Services
 - Head of Valuation and Strategic Assets
 - Assistant Head of Strategic Capital

Panel Moderation:

- Procurement: Senior Procurement Officer and Category Manager

2.6 The Quality Evaluation Panel scored each written bid submission individually based on the scoring methodology in 2.5 above. The panel then convened as a group to apply a final quality score for written responses by way of consensus. The Quality Evaluation was based on responses to questions concerning the following key areas:

Table 1

Technical Competence	Description	Weighting
A1	Database Management System	15%
A2	Service Delivery Management	15%
A3	Valuation Methodology	15%
A4	Valuation Approach	10%
A5	Key Personnel	15%
A6	Innovation/Added Value	5%
A7	Performance	15%
Health & Safety		
B1	Health & Safety	5%
Social Value/Community Benefit		
D1	Local Employment Opportunities	2.5%
D2	London Living Wage	2.5%
Quality Evaluation Mark		100%
Quality Score (50% weighting applied)		

Responses to the questions were evaluated by the panel and the appropriate score was agreed and added to form the total Quality Evaluation Mark. The score achieved for this section, Quality Evaluation Mark, was weighted at 50% to give the final score for quality (Quality Score).

2.7 Bidders were required to achieve the minimum acceptable score of 60% for each of the key areas in Table 1 above to be included in the Price Evaluation Process.

Quality Marking Scheme

Potential bidders were marked in accordance with the following scoring matrix in Table 2 below:

Table 2

Score	Rating	Description
0	No Response	No proposal has been received
1	Unacceptable	<p>A proposal at this rating:</p> <ul style="list-style-type: none"> • Builds very little or no confidence that the Tenderer can deliver the requirements due to insufficient evidence of relevant ability, understanding, skills, resources and quality measures; • Builds very little or no confidence that the Tenderer's approach/solution will deliver the requirements due to insufficient evidence or an inappropriate approach/solution. <p>The response is unacceptable</p>
2	Poor	<p>A proposal at this rating:</p> <ul style="list-style-type: none"> • Raises reservations that the Tenderer can deliver the requirements due to insufficient evidence of relevant ability, understanding, skills, resources and quality measures; • Raises reservations that the Tenderer's approach/solution will deliver the requirements due to insufficient evidence or an inappropriate approach/solution. <p>Note: a response at this rating includes reservations which cannot be easily resolved with the Tenderer pre-contract award (i.e. changes which would distort the competition) or during the contract term without impacting time, quality or cost.</p> <p>The response is deemed unacceptable.</p>
3	Acceptable	<p>A proposal at this rating:</p> <ul style="list-style-type: none"> • Confirms that the Tenderer can deliver the requirements through evidence of relevant ability, understanding, skills, resources and quality measures; • Provides an acceptable approach/solution to delivering the requirements utilising standard strategies, plans, tools, methods or technologies. <p>Note: an acceptable response may include minor reservations that can easily be resolved with the Tenderer pre-contract award (i.e. changes which would not distort the competition) or during the contract term without impacting time, quality or cost.</p>
4	Good	<p>A proposal at this rating:</p> <ul style="list-style-type: none"> • Builds confidence that the Tenderer can deliver the requirements through evidence of relevant ability, understanding, skills, resources and quality measures;

		<ul style="list-style-type: none"> Provides a good approach/solution to delivering the requirements utilising appropriately tailored strategies, plans, tools, methods or technologies. <p>Note: a good response may include a small number of minor reservations that can easily be resolved with the Tenderer pre-contract award (i.e. changes which would not distort the competition) or during the contract term without impacting time, quality or cost.</p>
5	Excellent	<p>A proposal at this rating:</p> <ul style="list-style-type: none"> Builds a high level of confidence that the Tenderer can deliver the requirements through evidence of relevant ability, understanding, skills, resources and quality measures; Provides an exceptional approach/solution to delivering the requirements utilising appropriately tailored and at times innovative strategies, plans, tools, methods or technologies. <p>Note: an excellent response should not include any reservations.</p>

Price Evaluation

- 2.8 Bidders were asked to submit a financial proposal that included Framework hourly rates including any discounted rates offered, fees for valuation reports for disposals of houses, flats and maisonettes, Leasehold Reform Act sales and lease extensions and minor disposals on the basis of a fixed fee plus a percentage premium on a resultant sale and fixed fees for RTBs and RTB plans. Bidders were also requested to submit any proposals for volume discounts and a one-off fee for mobilisation. To use the CCS Framework, the CCS requires each participant to complete a template of 18 tables of rates, which are summarised to produce an average or blended rate for price comparison purposes.
- 2.9 Financial results were evaluated using the pricing methodology set out below. This was selected as being suitable where quality is a significant element of the procurement and where pricing is not expected to vary significantly. Any suppliers which supply an abnormally low bid will be discounted. If a price response is more than twice the lowest price response that supplier will automatically be awarded a zero score.

$$\text{Price Score} = \frac{\text{Lowest Tender Price} \times [50] \text{ (maximum mark available)}}{\text{Tender Price}}$$

- 2.10 The Evaluation Panel reviewing the commercial element of the tender submissions were:

- Category Manager, Procurement
- Senior Procurement Officer, Procurement

After the Quality Scores had been agreed by the Quality Evaluation Panel, the Procurement team proceeded to evaluate the pricing submissions.

Overall Scores

- 2.11 Table 3 shows BNP Paribas Real Estate Advisory and Property UK Ltd through their subsidiary, Strutt and Parker, achieved the highest overall score for quality and price in this process. Strutt and Parker are experienced specialists in residential valuations and perform similar services for four other London Boroughs.

Table 3

Overall Score	Quality Score	Pricing Score	Total Score
BNP Paribas Real Estate Advisory and Property UK Ltd	37.5	50	87.5

All evaluation panel members completed a declaration of interest and competency form.

- 2.12 The contract will be awarded to BNP Paribas Real Estate Advisory and Property UK Ltd as the tenderer with the highest total score.
- 2.13 Further details of the quality and pricing evaluations are contained in the part II report. These are commercially sensitive.

3. Finance

- 3.1 Part II of the report details both quality and pricing evaluation results which lead to the recommendation to award the CCS call-off contract to provide Residential Statutory and Non-Statutory Valuation Services to BNP Paribas Real Estate Advisory and Property UK Ltd. It is five years since these services were last tendered and an increase in fee levels may be expected in line with the market. The CCS Framework rates reflect current market pricing for these professional services across a range of suitably qualified suppliers (Lot 1 National panel). In the majority of cases the fees will be recoverable from residential occupiers as a transactional cost associated with enhancing their legal interest in, and capital value of, their property, either by purchasing their property or extending their lease. As a consequence, any resulting increase in cost to the Council will be small and there will be sufficient budget to cover over the next 4 years.

4. Legal and Democracy

- 4.1 The Council has delegated the authority to enact this report's recommendations to the Cabinet Member for Finance. Before exercising that authority, this paper should be reviewed by the Procurement Board.
- 4.2 The proposed framework is available for use by local authorities. The Council must comply with the rules of any framework for any call-off it makes. This complies with both the Council's Contract Standing Orders and the Public Contracts Regulations 2015. The framework contract conditions must be used, with minor amendments and certain permitted modifications to take account of the Council's requirements but only as permitted by the framework.
- 4.3 As soon as possible after making the decision to award the contract, the Council must provide a written notice to the unsuccessful bidders, naming the winning bidder and describing the characteristics and relative advantages of the successful tender. The notice also has to state when

the 'standstill period' is expected to expire and the date before which the contracting authority will not enter into the contract or conclude the framework agreement.

- 4.4 This proposed key decision was entered on the Forward Plan on 19 October 2018 and the necessary 28 clear days' notice has been given. In addition, the Council's Constitution requires the report to be published on its website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days – the call-in period- must then elapse before the decision is implemented. If the decision is called in during this period, it cannot be implemented until the call-in has been considered and resolved.

5. Consultation and co-production

None.

6. Risk management

- 6.1 A risk assessment was carried out pre-tender and key risks are shown in the table below. Risks have been mitigated as far as possible throughout the procurement process. This will be reviewed with the new supplier once the contract is in place. The supplier is required to put in place a Business Continuity Plan as a requirement of the CCS call-off contract within 6 weeks of service commencement and this will link with Lambeth's Business Continuity Plan.

Item	Risk	Likelihood	Impact	Score	Control Measures	Risk Owner
1	Quality of Service Provider Poor performance of service provider	2	2	4	(1) Clear and well developed quality criteria for selection of quality service providers. (2) Establish effective contract management arrangements within Housing Services and VASA.	Head of Service
2	Financial Health Poor Financial Health	1	1	2	(1) Undertake Dunn & Bradstreet credit check. (2) Evaluate Company accounts (if appropriate)	Finance – Senior Accountant
3	Council's exposure to damages incurred by Service Provider	1	1	2	Ensure insurances are in place. Public Liability £10m for each occurrence Employer's Liability £5m for each occurrence Professional Indemnity £5m for each occurrence.	Senior Surveyor

Likelihood	Very Likely	4	Likely	3	Unlikely	2	Very Unlikely	1
Impact	Major	8	Serious	4	Significant	2	Minor	1

7. Equalities impact assessment

Confirmed that no Equalities Impact Assessment is required.

8. Community safety

N/A

9. Organisational implications

9.1 Due to the technical skill required for the high level of professional service the supplier provides, it does not currently anticipate being able to extend any opportunities to Lambeth. It is a signatory to the RICS Inclusive Employer Quality Mark and proactively promotes inclusion and diversity within its own workforce. Although not accredited to the Living Wage Foundation, the supplier has confirmed it pays all of its employees the London Living Wage in London in accordance with the Living Wage Foundation.

9.2 Environmental

N/A

9.3 Staffing and accommodation

There are no TUPE implications for Council staff.

9.4 Procurement

A fully OJEU compliant procurement process has been followed; Stage 1 being completed by the Crown Commercial Service and Stage 2 by the further competition. All bids received were evaluated in terms of a 50% Quality and 50% Price ratio.

9.5 Health

N/A

10. Timetable for implementation

Activity	Proposed Date
Cabinet Member Briefing	30 January 2019
CMDR published	5 February 2019
Successful and unsuccessful tenderers notified	5 February 2019
Cabinet Member to Sign (Decision Date)	13 February 2019
Call-in Period (5 clear working days)	14 February to 20 February 2019
Award of Contract	21 February 2019
Execution of Contract	26 February 2019
Contract commencement	1 March 2019

Audit Trail				
Consultation				
Name/Position	Lambeth directorate/department or partner	Date Sent	Date Received	Comments in para:
Councillor Andrew Wilson, Cabinet Member for Finance		30.01.19	30.01.19	
<i>Christina Thompson</i>	Interim Strategic Director for Finance and Investment	25.01.19	25.01.19	
<i>Visram Nisar</i> , Finance	Finance and Investment	24.01.19	25.01.19	
<i>Michael O'Hora</i> Legal Services	Legal and Governance	24.01.19	25.01.19	4.
<i>Maria Burton</i> , Democratic Services	Legal and Governance	29.01.19	30.01.19	4.
<i>Neil Wightman</i> , Housing Services	Housing Services	24.01.19	01.19	
External	Date of meeting			
Report History				
Original discussion with Cabinet Member	03.08.18			
Report deadline	N/A			
Date final report sent	N/A			
Part II Exempt from Disclosure/confidential accompanying report?	Yes			
Key decision report	Yes			
Date first appeared on forward plan	19.10.18			
Key decision reasons	Expenditure, income or savings in excess of £500,000			
Background information	Public Contracts Regulations 2015 Council's Contract Standing Orders The Crown Commercial Services Framework (Ref: RM 3816)			
Appendices	None			

APPROVAL BY CABINET MEMBER OR OFFICER IN ACCORDANCE WITH SCHEME OF DELEGATION

I confirm I have consulted Finance, Legal, Democratic Services and the Procurement Board and taken account of their advice and comments in completing the report for approval:

Signature:

Date:

Post: Sophie Linton, Head of Valuation and Strategic Assets

I confirm I have consulted the relevant Cabinet Members, including the Leader of the Council (if required), and approve the above recommendations:

Signature: _____ **Date:** _____

Post: Councillor Andy Wilson, Cabinet Member for Finance

Any declarations of interest (or exemptions granted): None.

Any conflicts of interest: None.

Any dispensations: None.