



**REPORT FROM: HOUSING, HEALTH AND ENGINEERING SERVICES
MANAGER**

TO: POLICY AND RESOURCES COMMITTEE

DATE: 20th JANUARY 2022

Report Author: Judith Stockton
Tel. No: 01282 661040
E-mail: judith.stockton@pendle.gov.uk

JOINT VENTURE PROCUREMENT – AGREEMENT TO AWARD A CONTRACT

PURPOSE OF REPORT

To report to committee the outcome of the procurement exercise for a new Joint Venture Development Partner. To seek agreement to award the contract to Brookhouse Group Limited.

RECOMMENDATIONS

That this Committee:

- (1) Note the outcome of the procurement exercise for a new Joint Venture partner.
- (2) Give approval to the appointment of Brookhouse Group Limited as the Council's joint venture development partner.
- (3) Give delegated authority to the Chief Executive to finalise terms for the development of a joint venture arrangement between the Council and Brookhouse Group Limited.

REASON FOR RECOMMENDATIONS

To agree the selection of a Strategic Development Partner to work in partnership with the Council on regeneration and development projects in the borough.

Background

1. In January 2021, this Committee agreed that a procurement exercise be carried out in order to establish a new joint venture (JV) development partnership for the borough.

2. The need to procure a new JV partner has arisen because the value of the existing contract which the Council has with PEARL2 is reaching its procurable limits. There is a need to continue to deliver regeneration and development projects in the borough, with new opportunities arising as a result of Government funding programmes such as the Nelson Town Deal, Levelling-Up funding, etc.
3. Engaging with a Strategic Developer Partner enables the Council to lever in both private sector development expertise and funding to combine with our own expertise in economic regeneration and development. The Council's existing Joint Venture has successfully delivered a range of housing and mixed use schemes across the Borough, and regular updates on these activities are brought to this Committee.

Procurement Process

4. It was further agreed by this Committee in January 2021 that the new procurement exercise would follow the 'competitive procedure with negotiation' process. The stages of this process and the outcome of each are outlined below. It is intended that the term of the contract with the new JV partner will be 15 years, split into a 10 year initial period plus an option to extend for a further 5 years (at the discretion of the Council).

Stage 1 – Supplier Selection Questionnaire

5. In August 2021 the Council, with support from STAR Procurement, commenced the required procurement process. The tender opportunity was advertised and interested parties were invited to review the procurement documentation and complete a 'Supplier Selection Questionnaire' (SSQ). The aim of this stage was to shortlist up to 3 applicants to be sent an Invitation to Tender (Stage 2).
6. Two applicants submitted an SSQ by the deadline of 13th September 2021. These were (1) Brookhouse Group Limited and (2) Eric Wright Group Limited.
7. The SSQ stage involved the applicants passing a number of pass/fail questions relating to their economic and financial standing. The Council also sought, as part of the SSQ stage, information to assess bidders' technical and professional ability which was evaluated by a panel consisting of the Council's Regeneration Manager, Financial Services Manager and the Head of Legal Services; together with a Strategic Director from Local Partnerships. (Local Partnerships is a joint venture between the Local Government Association, HM Treasury and the Welsh Government. They provide impartial, high quality advice and support to the public sector across a range of subjects).
8. Evaluations were initially undertaken on an individual basis, following which a moderated score was agreed by the evaluation panel for each question for each bidder. The overall scores for each bidder are shown in the table below.

Bidder name	Total %	Invite to tender
Brookhouse Group Ltd	72.5%	Yes
Eric Wright Group Limited	82.5%	Yes

9. In addition, applicants were also asked to agree to a draft Conditions of Contract document and to confirm that they agreed to the Key Principles of the Shareholders' Agreement (which would be non-negotiable). These were largely based on agreements used and developed previously with our existing JV partner.

10. Both applicants satisfied the minimum requirements set out in the SSQ; agreed to the draft Conditions of Contract document; and confirmed that they agreed to the Key Principles of the Shareholders' Agreement.
11. As a result, both applicants were invited to Stage 2, the Invitation to Tender.

Stage 2 – Invitation to Tender

12. The Invitation to Tender (ITT) required applicants to respond to a series of quality questions relating to, for example, how the applicants would resource, approach, deliver and manage schemes through the JV over the duration of the arrangement. It also included a price evaluation question relating to their proposed level of equity shareholding in the JV – the higher the proposed equity shareholding put forward by a bidder, the higher the resultant score available to the bidder in this section of the ITT.
13. As it turned out, only 1 tender submission was received by the deadline of 26th October, from Brookhouse Group Limited.
14. The tender submitted by Brookhouse Group Limited was evaluated by the same evaluation panel from Stage 1. Evaluations were initially undertaken on an individual basis, following which a moderated consensus score was agreed by the panel. The stage 2 (ITT) tender evaluation outcome summary is shown below:

Bidder name	Total Quality % (Max 80%)	Tendered Equity Shareholding %	Total Price % (Max 20%)	Total Final Scores (Max 100%)	Rank
Brookhouse	55.0%	90%	20.00%	75.00%	1

15. The outcome of the Stage 2 tender evaluation moderation meeting was that:
 - i. It was agreed that there was no need to progress to Stage 3, the Negotiation stage.
 - ii. Rather, a number of specific clarification questions were sent via the Chest portal to the preferred bidder and satisfactory responses received.
 - iii. A number of further financial due diligence questions were sent via the Chest to the preferred bidder and, again, satisfactory responses received.
 - iv. Following receipt of the responses from the preferred bidder, the evaluation panel were consulted and agreed that satisfactory answers had been provided to all of the queries and concerns raised.
16. Even though Brookhouse were the only organisation that submitted a stage 2 tender in response to the ITT, the evaluation and clarification answers were of a satisfactory level for the panel to agree they should be appointed. Brookhouse have proposed a 90%:10% (Brookhouse:Council) equity shareholding split which attracted the highest available scores for that section of the ITT.
17. It is important to bear in mind that the power to make an award to a bidder was reserved to the Council in the ITT without having to enter into the negotiation stage if the Council was satisfied that this was a suitable and appropriate course to take in the circumstances. In

the current circumstances, and after relevant clarification of their initial tender submission has been concluded, the recommendation is to award the contract to Brookhouse Group Limited.

Next Steps

18. Subject to this Committee's decision on the matter, the preferred bidder will be notified of the outcome of the procurement process and contractual discussions will commence.
19. As a priority, Brookhouse will work with the Council to support delivery of the Nelson Town Deal. Further reports will be brought to this Committee at the appropriate time to seek agreement to taking forward specific schemes.

IMPLICATIONS

Policy: None as a result of this report.

Financial: There are no financial implications arising from this report. Further reports will be brought to Committee in relation to any contributions required to support development schemes as and when they arise.

Legal: A Joint Venture Agreement will need to be entered into between Pendle Council and Brookhouse Group Limited. In addition, once contractual negotiations have been satisfactorily concluded, a newco (company limited by shares) will need to be established in the ratio Brookhouse Group Limited: Council 90:10 as to shareholdings.

Risk Management: None arising as a result of this report. By engaging with a Strategic Developer Partner, we are seeking to exploit the joint venture arrangements as a way to lever in both private sector development expertise and funding to combine with our own expertise in economic regeneration and development.

Health and Safety: None as a result of this report.

Sustainability: None as a result of this report.

Community Safety: None as a result of this report.

Equality and Diversity: None as a result of this report.

APPENDICES

None

LIST OF BACKGROUND PAPERS

Joint Venture Procurement – Report to Policy and Resources Committee, 21st January 2021