



Agenda item:

[No.]

Cabinet Procurement Committee **On 25th November 2008**

Report Title: Report on the strategy for the procurement of construction contractors for Council construction projects	
Forward Plan reference number (if applicable): N/A	
Report of: Director of Corporate Resources	
Wards(s) affected: All	Report for: Key Decision
<p>1. Purpose (That is, the decision required)</p> <p>1.1 For members to agree the strategy for the procurement of construction contractors for Council construction projects, as detailed in the attached report.</p>	
<p>2. Introduction by Cabinet Member (if necessary)</p> <p>2.1 Following concerns raised by a number of members regarding the ability of local businesses to bid for contracts with the Council, officers have looked at the Framework agreement and are now recommending a revised limit to the Framework.</p> <p>2.2 I concur with the proposals and recommendations as it would not only assists local businesses but would enable them to bid for contracts as the threshold has been reduced and subject to the other procurement requirements.</p>	
<p>3. Recommendations</p> <p>3.1 That the strategy for the procurement of construction contractors for Council construction projects be agreed.</p>	
Report Authorised by: Julie Parker, Director of Corporate Resources <i>J. Parker</i> 17/11/08	
Contact Officer: David Mulford, Construction Procurement Manager, x1037	

4. Chief Financial Officer Comments

- 4.1 The contents of this report do not in themselves create any direct financial implications as the cost of the tender process will be met from existing corporate procurement budgets.
- 4.2 It should be noted though that the existing Construction Contractor framework agreement has been successful in leading to enhanced value for money for the council and increased efficiency in tender processes which should continue or improve under the next contract period. The level of expected spend under these contracts will also enable enhancements to be factored in to some of the agreements which actively support a number of the Council's overall strategies as outlined in section 8 of this report.

5. Head of Legal Services Comments

- 5.1 This report is seeking Procurement Committee approval of the proposed strategy for the procurement of arrangements for the provision of construction contractors for general construction and conservation work across all directorates. This will be by way of establishing new Framework Agreements.
- 5.2 Whilst the frameworks will not immediately cover the Decent Homes programme, the Building Schools for the Future programme, and work for Corporate Property Services, provisions will be made for these programmes to make use of the new frameworks where necessary.
- 5.3 If Members approve the recommendation at paragraph 3.1 of this report, it will be necessary for the proposed framework agreements to be advertised in the Official Journal of the European Union for expressions of interest as their total value will exceed the EU threshold for works (currently £3,497,413).
- 5.4 As the value of each of the proposed framework agreements is above the Council's Key Decision threshold of £500,000 details of the framework agreements will need to be included in the Forward Plan in accordance with Contract Standing Order 11.04 before approval is sought to award the frameworks.
- 5.5 As the value of each of the proposed frameworks agreement exceeds £250,000 award of the frameworks will require the approval of the Procurement Committee in accordance with Contract Standing Order 11.03.
- 5.6 Legal Services should be consulted on legal aspects of the procurement process as it progresses including in particular on the forms of the framework agreements issued as part of the tender packs.
- 5.7 The Head of Legal Services confirms that there are no legal reasons preventing Members from approving the recommendation in paragraph 3.1 of this report.

6. Head of Procurement Comments

- 6.1 The existing Framework Agreements for Construction Contractors were the first to be established in England following new EC regulations that came into effect in January 2006.
- 6.2 Since that time, the Frameworks have served the Council well, enabling quicker commissioning of projects and good working relationships between contractors and

Council officers.

6.3 Experience has shown a need to slightly re-shape the Frameworks to allow better access by SME's to Minor Construction Framework and to also take account of a need for specialist conservation work.

6.4 The recommendations to Members provides a best practice procurement strategy for Construction works and will ensure sufficient capacity and capability to deliver our capital and revenue programmes over the next 4 years.

7. Local Government (Access to Information) Act 1985

7.1 N/A

8. Strategic Implications

- 8.1 The arrangements proposed in this report will provide general construction contractors across all directorates. Work not principally covered by the arrangements will be: work on the Decent Homes programme, the Building Schools for the Future programme and work for Corporate Property Services that is covered by the Managing Agent term contract for reactive repairs and planned maintenance. However, provision will be made for these named programmes to be transferred into the new framework, should the need arise.
- 8.2 The strategy proposed supports the Sustainable Community Strategy in relation to the priority 'Economic vitality and prosperity shared by all' by aiming to provide opportunities for apprenticeships through the arrangements with larger contractors. A clause will be included to this effect for major projects. It will also aim to attract and appoint SME businesses to the arrangements to be put into place.
- 8.3 The proposed arrangements will support priority four of the Greenest Borough Strategy, 'leading by example; managing the Council sustainably', in its key objective to 'Reduce waste whilst increasing re-use and recycling' through the implementation of Site Waste Management Plans (SWMP) for works over £250,000 and by including key performance indicators for use of recycled materials in the performance monitoring of successful companies.
- 8.4 The arrangements will support priority five of the Greenest Borough Strategy, 'sustainable design and construction' by evaluating respondents in terms of their sustainability systems and procedures in place, e.g. the use of Environmental Management Systems.

9. Financial Implications

- 9.1 The arrangements proposed will cover construction works for projects on the Council's capital and revenue programme. The Decent Homes and Building Schools for the Future schemes may make use of the arrangements; however, in the main this work will not be covered due to the arrangements for contractor partners in place with these two schemes. The estimated cost of this work is approximately £15million per annum.

10. Legal Implications

- 10.1 The proposed framework agreements will be advertised in the Official Journal of the European Union as their total value will exceed the EU threshold for works (£3,497,313).
- 10.2 The works will be commissioned under either a call-off or a mini-tender arrangement.

11. Equalities Implications

- 11.1 The arrangements to be put in place will cover all Haringey wards.
- 11.2 The strategy put forward in this report aims to be more inclusive in terms of the scale of business that are eligible to tender for the arrangements to be put in place.
- 11.3 Contractors' will be evaluated in terms of equalities and diversity as part of the procurement process.

12. Consultation

- 12.1 Consultation has been held with key client representatives from across Haringey Council directorates, with particular regard to the Children & Young People's Service and Corporate Property Services.
- 12.2 Issues arising from these sessions included concerns over the ability of companies on the existing arrangements to respond quickly to requests for works under £5,000, introduction of revised value banding, the request for the pricing mechanism to be adjusted and the requirement for a separate category for conservation work.
- 12.3 Advice has also been sought through consultation with external organisations, including Constructionline, the Office of Government Commerce and the company providing one-stop-shop construction consultancy services to the Council (NPS Ltd).

13. Background

- 13.1 Framework agreements for construction contractors were awarded to 31 firms in December 2005 and January 2006, covering general build construction work across the Council. The framework agreements were awarded as follows:
 - Minor construction work of value less than £100,000 – awarded to 13 companies
 - Major construction work of value £100,000-£250,000 – awarded to 12 companies
 - Major construction work of value £250,000-£1million – awarded to 12 companies
 - Major construction work of value £1million-£3.8million – awarded to 12 companies
 - Major construction work of value over £3.8million – awarded to 9 companies
- 13.2 The framework agreements were awarded for 2 years with the option to extend for up to a further 2 years. The framework agreements for minor and major works were extended by 18 months in April 2008 and are due to expire in October and November 2009 respectively.
- 13.3 Over the course of the framework agreements the contractors have been monitored in terms of financial status and levels of insurance cover on a monthly basis. To this

effect 4 companies have been removed from the framework agreements due to the contractors going into administration or due to changes in company profile.

14. Strategy

Minor works frameworks

- 14.1 The current framework agreement for minor construction works covers works up to £100,000. The amount spent on the framework agreement since its inception is approximately £3,800,000 (as of 27/10/08).
- 14.2 Following consultation with client officers within the Council the framework strategy is currently to increase this banding to £250,000 and banded as follows:
- up to £25,000
 - £25,000 to £125,000
 - £125,000 to £250,000
- 14.3 It is expected that there will be a decrease in the number of projects of this value, due to the implementation of the Corporate Management of Property contract and reduction in Housing work that will be covered by Homes for Haringey's contractor partners for the Decent Homes programme. The intention is to reduce the number of contractors in each of these bandings to 6 to 8, thus providing the successful contractors with a greater consistency of work, which will in turn create better working between Haringey and the contractors.
- 14.4 The addition of the banding for work up to £25,000 should provide clients with a quicker route through the market that also ties in with the Council's quotation process.
- 14.5 The adoption of revised bands to £25,000 to £125,000 and to £250,000 should also enable a greater range of sizes of business, including SMEs to apply for the framework agreements.
- 14.6 It is intended that the contract notice for this framework will be published in December 2008, with the tender period commencing in April 2009 and a report for the award submitted for the 29th September 2009 session of the Cabinet Procurement Committee.

Major works frameworks

- 14.7 There are currently four framework agreements in place for major construction works of over £100,000 as follows:
- £100,000 to £250,000
 - £250,000 to £1,000,000
 - £1,000,000 to £3,800,000
 - Over £3,800,000
- 14.8 The amount spent on the framework agreement since its inception is approximately £32,500,000 (as of 27/10/08).

14.9 Following consultation with clients the following bands are proposed:

- £250,000 to £1,000,000
- £1,000,000 to £3,400,000
- Over £3,400,000
- Conservation contractors

14.10 The nature of this framework would remain essentially as before. However, the banding has been adjusted to tie in with the current EU tender threshold for works.

14.11 The conservation category will be set up as a totally separate framework up to the value of £500,000. This category of works will only be used where the majority of works are listed or of a conservation nature.

14.12 It is intended that the contract notice for this framework will be published in December 2008, with the tender period commencing in late April 2009 and a report for the award submitted for the 27th October 2009 session of the Cabinet Procurement Committee.

15. Conclusion

15.1 This report seeks agreement of the proposed strategy for the procurement of arrangements for the provision of construction contractors for general construction and conservation work.

15.2 Providing Members agree to the strategy proposed in this report contract notices for the framework agreements will be placed in the Official Journal of the European Union for expressions of interest. The framework agreements are due to be in place by October and November of 2009.

16. Use of Appendices / Tables / Photographs

16.1 N/A