

There is a need to agree a very minor correction to the Cabinet minutes of 7th of November 2023. Resolution 4, in accordance with the report recommendations, referenced 31 December 2023 as the end date for extension of the LCP Major Works Framework (MW 2019). However, this date should have read 31 December 2024. The minutes are re- attached below with the correct date highlighted in bold for signature.

13. LONDON CONSTRUCTION PROGRAMME (LCP) COLLABORATIVE PROCUREMENT INITIATIVES

The Cabinet Member for Finance and Local Investment introduced the report which sought approval to proceed in the LCP establishing a new suite of contract vehicles to replace the expiring ones listed in the attached report. The Councils' Contract Standing Order 7.04 (a) required Cabinet approval where the Council was intending to lead on any joint procurement activity that was likely to involve a key decision.

The proposed new suite of frameworks would cover the following categories of: Housing, Education and Major works.

The Cabinet Member further highlighted the purpose of the LCP was to establish collaborative contract vehicles in the contract construction sector, such as frameworks and dynamic purchasing systems. the benefits of this proposed decision were as follows:

- Increased revenue of £1.35m
- 90% of contracts went to small or medium sized businesses
- Achieved several awards
- Assisted Council with capital programme and achieving Council priorities
- Facilitated embedding social value into contracts
- Has requirements for the use of local labour and apprentices, including hard to employ groups, payment of the London Living wage, enhanced modern slavery checks and mental health awareness and staff well-being policies.
- Enables refresh of contract vehicles and would introduce new dynamic models in 2024.

In response to questions from Cllr das Neves and Cllr Cawley- Harrison the following was noted.

- There was recognition of some issues in the construction sector and as part of the consultation process, the procurement team spoke to both the supply chain and internal and external stakeholders and members on best how to address this. It was noted that, as a way forward, frameworks will now commence at £5m, whereas previously they commenced at £1m and this had created a bit of pressure and capacity issues within that process. It was explained that the benefit of making this change was that contracts below £5m would predominantly be run through the dynamic marketplace which is geared towards specifically supporting SMEs so

that they can effectively bid for contracts. This process would also facilitate them to understand their own capability and capacity within that sector and therefore mitigate against situations where they are overstressing in their contract bids to provide services and projects. In addition, there would be ongoing checks across the entire supply chain and monthly monitoring.

- The sensitivity projections set out at section 4.7 were based upon the contract values that revenue can be generated from. It was explained that the revenue was generated by applying a levy and that levy was based upon the contract value. Therefore, consideration to how the contract can generate revenue based upon previous projections and performance was very carefully and stringently considered. There would have to be an unpredicted catastrophic failure of the LCP not to make profit effectively in terms of the contracts going forward.

RESOLVED

In accordance with Contract Standing Order 7.04 (a):

1. To approve the replacement of the existing LCP pan - London Major Works Framework with frameworks in housing, education and major works categories;
2. To approve the establishment of Dynamic Marketplaces in housing, education, major works, minor works and professional services, following the enactment of the Procurement Act;
3. To delegate authority to the Head of Procurement to admit suppliers to the frameworks stated in 3.1. and the Dynamic Marketplaces stated in 3.1 ii. Following the completion of the procurement exercises conducted in accordance with the Public Contracts Regulations 2015 (as amended) and the incoming Procurement Act.
4. In accordance with Contract Standing Order 10.2.1 b) (Cabinet approves extensions in excess of £500,000), to approve the extension of the LCP Major Works Framework (MW 2019) until **31 December 2024**.
5. To approve the use of flexible capital receipts to fund the £275,000 cost of establishing the new LCP Frameworks and Dynamic Marketplaces in 2023/24.

Reasons for decision

The establishment of the proposed frameworks and Dynamic Marketplaces does not place any contractual obligation on the Council or other LCP members to award any call

off contracts against the frameworks or Dynamic Marketplaces and is therefore not a Key Decision.

Where the Council to commission works or services intends it, these would be undertaken in accordance with the Council's Contract Standing Orders (CSO). Where this involves a Key Decision, Cabinet/Member approval will be sought in accordance with relevant CSO provisions.

The LCP is utilised by 56 Public Sector organisations (LCP members) and is regular route to market for their construction related procurement activity. The LCP has the infrastructure and resources to continue providing quality services to its members and supply chain.

The LCP currently generates over £1m p.a. in revenue, which helps support the wider Strategic Procurement function within the Council. Without this income stream, Strategic Procurement would have a budget pressure of circa £600k p.a. extending the portfolio of contract vehicles will increase the revenue generated through the LCP.

The current LCP Major Works Framework expires in June 2024 and current portfolio of DPS is expire in 2026. The proposed third generation of frameworks and new Dynamic Marketplaces is intended to supersede the current framework and DPS's as they expire, retaining continuity for LCP members calling off such works.

An extension of the existing framework is required to ensure we provide continuity for the LCP members being able to procure works and the LCP does not have a gap in revenue receipts. Currently fees for contracts let via the DPS are charged to LCP members, as it is not permitted to charge the supply chain. Under the new Procurement Act fees can be charged to the supply chain. This will reduce the administration and some budgeting complications for LCP members.

The proposal to continue with the LCP and introduce the extended suite of contract vehicles referenced in this report, has been subject to a robust business case with sensitivity analysis, which clearly demonstrates the financial and operational benefits of adopting the recommendations in this report. The business case indicated generating surplus revenue between £1.4m and £4.1m depending on sensitivity projections.

Extensive consultation with internal stakeholders, LCP members and the supply chain has been undertaken to ensure the structure of the contractual arrangements meets the requirements of the LCP members and is sustainable within the sector.

There are several benefits being derived from the establishment of the frameworks and Dynamic Marketplaces (DMP); these include:

- The structure will be aligned to the 'Construction Gold Standard Framework' guidance, to support the governments Construction Playbook guidance.
- Flexibility in use of all common forms of contracts associated with construction works and services;
- The collaborative purchasing power has led to reduced rates on the current framework. The current LCP DPS has on average achieved circa 9.7% lower costs compared to the budget or pre-tender estimates for its clients.
- Specific provisions to support the use of local and regional SME's (90% of contracts let through the current DPS are to SME's);
- Flexible social value provisions to enable LCP members to prioritise their corporate objectives or to use the National Social Value TOMS.
- Suppliers will need to demonstrate carbon reduction and other environmental capabilities and credentials as part of the assessment criteria.
- Active monitoring and enforcement of the Key Performance Indicators (KPI's). The KPI's are essentially aligned to performance, social, economic, and environmental values. Failure to comply could result in suppliers being suspended from the framework and DMP.
- Comprehensive management information will be available; this will include market intelligence relating to number of responses to requirements, average price paid, capacity within the market, spend with local SME's etc.
- Avoidance of significant procurement associated costs for LCP members individually putting in place their own contractual arrangements for these services.

Alternative options considered

Do Nothing

This essentially means the LCP would lapse and be disbanded. The loss of revenue would create a £600k p.a. budget pressure for Strategic Procurement.

The Council would either have to establish similar frameworks for itself only, incurring similar costs of establishment to that of the LCP, utilise other similar frameworks/DPS/DMPs, or undertake individual procurements as they arise from the business units. This would require additional procurement resources and is the least efficient option operationally and does not meet the corporate objectives of migrating to a more commercially focused organisation delivering value for money or generating income.

If utilising other frameworks the Council would be incurring fees that go to other framework operators. In addition, there is evidence where the services in the Council have opted to use alternative routes to market instead of using the LCP, which has resulted in higher cost of works.

The Council may be subject to adverse criticism from LCP members and suppliers for not continuing with the LCP given the success to date.

Procure LBH only Frameworks/DMPs

Loss of revenue generated through the LCP would create a £600k p.a. budget pressure for Strategic Procurement.

The cost of establishing Haringey only frameworks and DMPs' will be similar to that of establishing for the LCP. Therefore incurring unrecoverable costs.

Increased cost of services – it is anticipated that if approaching the market as Haringey only, the response and quality of participating suppliers on the frameworks and DMPs' will be much lower than current supply chain levels. In addition, Haringey will lose the effect of the collaborative buying power of the LCP. It is anticipated tender prices/fees submitted will be at least 3% higher than a collaborative type of framework.

The Council may be subject to adverse criticism from LCP members and suppliers for not continuing with the LCP given the success to date.

Use Alternate Frameworks/DMPs

Loss of revenue generated through the LCP would create a £600k p.a. budget pressure for Strategic Procurement.

Operationally this would have minimal impact to Strategic Procurement, other than needing to identify alternate frameworks and DPSs to support the Councils capital programme.

Whilst there are alternate frameworks and DPSs' available, these may be somewhat restricted, as many of these are not fully compliant, especially if considering direct awards. Most of the national frameworks contain the same larger contractors and do not support SMEs.

Capacity may be an issue in accessing other frameworks and DPSs, as the 56 LCP members will be trying to access the same contract vehicles. This runs the risk of the supply chain not being able to respond to an increased volume of tender returns or works and may also lead to increased prices due to increased demand.

It should also be noted that fees will still be payable for accessing these frameworks and DMPs; however, the revenue will go to third parties and not remain within Haringey.

Signed.....

12 March 2024