

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 26 APRIL 2016

**AGILE WORKING/ ESTATES REVIEW PROGRAMME – ANGUS HOUSE, FORFAR & BRUCE
HOUSE, ARBROATH
PROCUREMENT PROCEDURE –HOMOLOGATION REPORT**

REPORT BY HEAD OF TECHNICAL AND PROPERTY SERVICES

ABSTRACT

Report seeking homologation of the decision to authorise the procurement of works to Angus House, Forfar and furniture to Angus House, Forfar and Bruce House, Arbroath where the maximum value of the procurement is above the Chief Officer's delegated authority limit.

1. RECOMMENDATIONS

1.1 It is recommended that the Committee:

- (i) homologate the decision taken by the Agile Programme Board in consultation with the Strategic Director - Resources and the Convener of the Policy and Resource Committee to authorise the procurement of works for Angus House, Forfar through the use of the Hub Co Minor Works Service which is available to Angus Council. The works will be carried out by Robertson Construction who will be appointed by the Hub East Central Scotland Ltd (Hub Co);
- (ii) note that the estimated total cost of the works to be procured is £1,400,000 (at out-turn prices);
- (iii) homologate the decision taken by the Agile Programme Board in consultation with the Strategic Director - Resources and the Convener of the Policy and Resource Committee to authorise the procurement of furniture for Bruce House, Arbroath and Angus House, Forfar in accordance with the Scotland Excel framework for the Supply, Delivery and Installation of Educational & Office Furniture schedule 03/12 approved by the Tayside Procurement Consortium using mini-competitions;
- (iv) note that the estimated total cost of furniture to be procured is £430,000 (at out turn prices);
- (v) note the estimated total cost of the building works and furniture provision to meet the Agile programme at Angus House, Forfar and Bruce House, Arbroath is £2,220,000;
- (vi) note that the procurement meets the requirements of the procurement authority process stated in Section 16.8 of the Financial Regulations;
- (vii) note that the works will be funded from an allowance of £3,800,000 and the furniture will be funded from an allowance of £768,000 contained in the Provision for the Agile Angus/Estates Review section contained in the Transforming Angus programme of the 2015/2020 Financial Plan & Provisional Capital Budget 2016/17 presented to the Special Budget Meeting of Angus Council on 18 February 2016 (Report No: 62/16 refers). A further budget allowance has been made available from Hub Co in the amount of £37,000 to assist in funding fee charges;
- (viii) note the financial implications included in Section 6 of this report.

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/CORPORATE PLAN

2.1 This report contributes to the following local outcome(s) contained within the Angus Community Plan and Single Outcome Agreement 2013-2016:

- Angus is a good place to live in, work in and visit
- Our carbon footprint is reduced

3. BACKGROUND

3.1 The Agile programme is dependent upon making significant changes to the Council's current property estate (i.e. Place), while also implementing new ways of working (i.e. Process) and cultural change (i.e. People) details of which are contained in Report Nrs 480/15 and 481/15 approved by Angus Council on the 10 December 2015. In order to progress Angus Council's Agile programme, works are required to be carried out to various buildings together with the provision of furniture to ensure the benefits of the Council's Agile working policy is fully realised.

3.2 In the initial phase of Agile working implementation, two buildings require works to be carried out to provide the core back office facilities. The buildings concerned are Bruce House, Arbroath and Angus House, Forfar.

4. SCOPE OF CONTRACTS

4.1 The works to Angus House consist of the full range of building trades in a large, occupied office building. This includes alterations to the existing mechanical and electrical services throughout the building, increasing wired data provision, altering and removing cellular offices, increasing toilet provision, new floor coverings and redecoration to the areas affected by the works.

4.2 The furniture required is to ensure Angus House and Bruce House fully supports the agile working strategy. The furniture will provide workstations, storage, meeting areas, break-out areas and staff facilities. The specified furniture will be in line with the model employed in the pilot scheme for Adult Services within the lower ground floor in Bruce House and Economic Development on the second floor at Angus House.

4.3 The investment in works and furniture will provide modern office environments to support staff adopting new ways of working aligned with the Agile culture, while reducing the Council's existing estate portfolio. The cost of the works and furniture is included in the Business Case approved by the Council on 10 December 2015 and the procurement of contracts provides the delivery mechanism for these key commercial aspects.

5. PROCUREMENT AUTHORITY

Objectives

5.1 The objectives of this project are to upgrade Angus House, Forfar and Bruce House, Arbroath to allow the buildings to be configured to operate on an agile basis in line with the Council's strategy.

5.2 Procurement options were included in a briefing paper to the Agile Programme Board on the 11 February 2016 and they gave approval to proceed on the basis of the preferred options contained in the paper. A further meeting was held with the Corporate Procurement Manager where the procurement options were discussed and it was agreed that the preferred procurement routes were acceptable as a procurement strategy. As the estimates for the building work at £1,400,000 and the furniture at £430,000 were outwith Chief Officer's delegated authority it was agreed that a report for homologation would be prepared following receipt of outline cost information from Hub Co's minor works tier 1 contractor after the 1 April 2016. Detailed information on these options is contained in section 5 of this report.

- 5.3 It should also be noted that building works to Bruce House, the value of which are within the delegated authority limits of Chief Officers are being procured separately under the Council's Schedule of Rates contract.

Sourcing Route – Angus House Building Works

- 5.4 As the programme has developed a number of procurement options were investigated in order to take this element of the Agile programme forward. The options can be summarised as follows:

- Option A: Use of Council's Urgent Repair and Jobbing Contract:
Advantage: Contract orders for individual trades could be issued at short notice.
Disadvantage: Contract set up for small value orders below £20k.
Outcome: Contract to be for individual trades which are low value or straight forward in nature. Not recommended.
- Option B: Use of Council's Schedule of Rates Contract:
Advantage: A several works contract order for several works could be issued at short notice.
Disadvantage: Approved for works below £500k in value, due to insolvency and refusal of contract extension only one contractor available.
Outcome: Already in use at Bruce House for lower value contract. Single contractor committed to carry out other project under this contract. Not recommended.
- Option C: Use of industry standard Scottish Building Contract Committee tender documents with Quantities.
Advantage: Price certainty and transfer of risk to main contractor, pricing transparency based on detailed design, competitive tenders evaluated on an equal basis.
Disadvantages: Procurement timescale to appoint contractor, programme will be longer to meet detailed design requirements, no early involvement in contract programming or discussion of lead times.
Outcome: Due to the time constraints to meet the Council's ambitious timescales and the requirement for fully detailed design this option was Not Recommended.
- Option D: Use of Hub Co's un-scoped Minor Works Service
Advantage: Allows overlapping design and construction periods, early involvement of the contractor in programming and lead-in discussions
Disadvantages: As costs and design are not finalised there is a possibility of variations affecting the price and timescale.
Outcome: This option meets the Council's main requirements to ensure the works are started at an early stage. It also uses a procurement option which is currently available through Hub Co. This option is Recommended.
- Option E: Scottish Procurement Alliance framework
This was suggested as an option by the Council's Procurement team, however on further investigation the framework was not available across all Councils when the options were assessed. It was noted that the frameworks appeared to be mainly geared for less complex projects rather than large commercial type projects.

- 5.5 The Agile Programme Board approved the use of Option D: Hub Co's un-scoped Minor Works Service arrangement to progress the Council's Agile programme to meet the proposed timescales. This arrangement has been put in place by Hub East Central Scotland Ltd. (Hub Co) as a pre-procured specialist Minor Works Service supply chain. The Council is currently developing the arrangement with Hub Co and their pre-approved contractor, Robertson Construction. An Outline Cost Plan has been received for the works to Angus House and this figure has been included in the estimated total cost figures in section 6 of this report. Robertson Construction are currently carrying out market testing of work packages in order to demonstrate value for money and update the figures in the Outline Cost Plan.

5.6 The programme for the works in Angus House has been split into four phases to allow the moves between floors. It also relies on decanting some staff to St. Margaret's House. It is anticipated that the Council will enter into an agreement with Hub Co in May 2016 following completion of the current discussions. Works will commence in June 2016 and be programmed as follows:

- Phase 1: start June 2016, completion October 2016
- Phase 2: start October 2016, completion February 2017
- Phase 3: start Feb/ March 2017, completion June 2017
- Phase 4: start July 2017, completion October 2017

Initial programme discussions have already been carried out with Hub Co and the programme noted above is considered to be achievable.

5.7 The tender documentation will incorporate standard Scottish Building Contract 2011 minor works conditions, contract specific preliminaries, pre-construction information pack, specification and drawings. These conditions have been used previously by parties and agreement has been reached to use these as the basis for the agreement between Angus Council, Hub Co and Robertson Construction.

5.8 The design will incorporate the Sustainable Timber Policy approved by the Corporate Services Committee on the 23 October 2008 (Report No. 1040/08, Article 11 refers) ensuring that all timber or timber materials required for this contract will be from sustainable sources.

5.9 Once the scope, pricing, content and parameters of the building works have been agreed Angus Council will instruct Hub Co to finalise the arrangements and ensure the Tier 1 contractor, Robertson Construction, finalise contract mobilisation and commence works.

Sourcing Route – Furniture

5.10 It is proposed to use Scotland Excels' framework for the Supply, Delivery and Installation of Educational & Office Furniture, schedule 03/12. This framework arrangement has been previously approved by Tayside Procurement Consortium and the Council and meets the relevant procurement rules including compliance with the European Union procurement regulations. Mini-competitions will be carried out with approved suppliers from the appropriate lots on a price/ quality basis of 80/20 in accordance with the framework to provide the most economically advantageous tender (MEAT).

5.11 This procurement arrangement was used to successfully procure the furniture for the pilot scheme in Adult Services section in the Lower Ground Floor in Bruce House, Arbroath and Economic Development on the second floor at Angus House. This approach meets the Council's Financial Regulations 16.6 which mandates the use of collaboratively procured contracts which meet the Councils' requirements and offer best value.

5.12 The use of timber from sustainable sources is built into this framework agreement and will meet the Council's requirements. Any wood based product used in the furniture offered must be certified in accordance with The Forest Stewardship Council (FSC)/ Programme for the Endorsement of Forest Certification (PEFC). Other areas that formed part of the original framework supplier selection included active environmental policy, recycling approach and spares availability.

5.13 The programme for the supply of furniture is as follows:

Angus House, Forfar

Mini-competition documents issued: May 2016
Anticipate appointment of suppliers(s): July 2016
Delivery Phase 1: October 2016
Delivery Phase 2: February 2017
Delivery Phase 3: July 2017
Delivery Phase 4: November 2017

Bruce House, Arbroath

Mini-competition documents issued: March 2016
 Anticipate appointment of supplier(s): May 2016
 Delivery Phase 1: June 2016
 Delivery Phase 2: September 2016
 Delivery Phase 3: December 2016

- 5.14 Once the tenders for each mini-competition have been evaluated then an acceptance will be issued to the supplier providing the highest MEAT score.

Disposal of Surplus Furniture

- 5.15 The current office furniture in Angus House and Bruce House is not suitable to be reused within an agile setting at these two locations due to their size and inability to allow for the improved and varied work settings that agile working will support. For example, many existing desks were designed to accommodate large and cumbersome VDU terminals which are no longer used. As a result, there is likely to be furniture that will become surplus to requirements at these two locations. In order to address this, the Agile Programme Board agreed to utilise the 3rd party furniture re-use website 'WARPit' for a period of two years and the roll out of this will be implemented in the forthcoming months. Therefore it is anticipated that the excess furniture can be disposed of in the following order of preference:

1. Reused at the locations which are out-of-scope of the Agile Working programme. Specifically the circa 75 operational locations that are excluded from agile including Angus Alive, OR reused by the schools estate where possible.
2. Made available via WARPit to our partner organisations e.g. Voluntary Action Angus.
3. A very small selection stored
4. Broken down and separated into metal and wood for waste recycling.

General

- 5.16 This report, which details the funding arrangements and procurement options for the building works at Angus House, Forfar and the supply, delivery and installation of furniture at Angus House, Forfar and Bruce House, Arbroath, falls within the procurement authority requirements contained in Financial Regulations (FR) 16.8. This procurement is not considered to be a "major procurement" in terms of Financial Regulation 16.8.4. Homologation of this report would mean that the contracts can be accepted without the need for further approval by the relevant committees. In accordance with the current arrangements the contract award will be the subject of a 'Noting Report' and will be available on the 'Information Hub'.

6. FINANCIAL IMPLICATIONS AND ALLOWANCE IN ESTIMATES

- 6.1 The estimated total cost for the works and furniture to Angus House, Forfar and Bruce House, Arbroath is:

Angus House Building Works	£1,400,000
Allowance for professional fees, supervisory, travel and administrative expenses	£173,000
Allowance for Bruce House Building Works (procured separately through Council's Schedule of Rates contract)	£175,000
Allowance for statutory payments and sundry expenses	£20,000
Works Sub-Total	£1,768,000
Allowance for Angus House Furniture	£300,000

Allowance for Bruce House Furniture	£130,000
Allowance for professional fees, supervisory, travel and administrative expenses	£22,000
Furniture Sub-Total	£452,000
Estimated total cost (at out-turn prices)	£2,220,000

Capital Implications - Funding

- 6.2 The building works will be funded from an allowance of £3,800,000 and the furniture will be funded from an allowance of £768,000 contained in the Provision for the Agile Angus/Estates Review section contained in the Transforming Angus programme of the 2015/2020 Financial Plan & Provisional Capital Budget 2016/17 presented to the Special Budget Meeting of Angus Council on 18 February 2016 (Report No: 62/16 refers). The overall gross budget including building works, furniture and IT contained in the Financial Plan is £5,173,000 this is funded by £3,960,000 from capital and £1,213,000 from anticipated capital receipts.
- 6.3 In addition to the funding from Angus Council, Hub Co have made £37,000 available from their budget to pay for an element of the professional fees included in the estimated total cost of the project. This will be used to cover the cost of the Mechanical and Electric consultancy services of £39,500. This consultant has been appointed directly by Hub Co with the balance of the fee of £2,500 to be paid by Angus Council.
- 6.4 The funding required for the estimated total cost of £2,220,000 is as follows:

Funding Stream	Allowance
Angus Council capital budget	£1,670,000
Capital receipts (pro rata adjustment based on total gross budget figure of £5,173,000)	£513,000
Support funding from Hub Co	£37,000
TOTAL	£2,220,000

Revenue Implications – Corporate Loan Charges

- 6.5 The overall mix of funding of the HRA capital budget (e.g. borrowing, receipts) is determined as part of the Council's year end final accounts process. This assumes that the overall required capital funding of £1,670,000 is met from borrowing. The following table shows what the loan charges will be at certain points over the borrowing write off period.

	Year 1 2016/17 £000	Year 5 2020/21 £000	Year10 2025/26 £000	Year 15 2030/31 £000	Year 20 2035/36 £000	Year 25 2040/41 £000
Estimated loan Charges	91	109	118	129	142	157

- 6.6 Loan charges are estimated to be an average of £117,000 per annum over a 25 year period and £3.274m in total. Loan charges have been calculated in line with the assumptions within

the Long Term Affordability review presented to the Special Budget Meeting of Angus Council. This project was included in that review and as the review concluded that the overall revenue consequences (including borrowing costs) of the Council's proposed total capital spend can be sustained on a long-term basis, the loan charges noted above can be regarded as affordable.

Revenue Implications – Annual Running Costs

- 6.7 Revenue implications relating to the Transforming Angus Agile programme were identified in the Transforming Angus Agile Working and Estate Review – Business Case Committee Report Nr 481/15 approved at Angus Council 10 December 2015.

7. OTHER IMPLICATIONS

Risks

- 7.1 A risk assessment has been carried out relating to the works at Angus House, Forfar. A number of risks have been identified relating to the building contract which would be anticipated for a project of this size and complexity. The risk register contains mitigation which should result in the risks being managed. The main current risk is if an agreement cannot be reached between Angus Council and Hub Co. Every effort will be made to ensure agreement is reached, however if this is not possible the Agile programme for Angus House would have to be delayed until an alternative procurement process was carried out.
- 7.2 Technical and Property Services have extensive experience of procuring projects of this nature in a timely manner and every measure will be taken to ensure the works and furniture contracts are effectively managed.

NOTE: The background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to any material extent in preparing the above report are:

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| • Corporate Services Committee 20/10/08 | Report No 1040/08 – Sustainable Sourcing of Timber and Timber Products for Property Construction Projects |
| • Angus Council 10/12/16 | Report No 480/15 – Transforming Angus: Agile Working and Estates Review |
| • Angus Council 10/12/16 | Report No 481/15 – Transforming Angus: Agile Working and Estates Review Business Case |
| • Special Budget Meeting 08/02/16 | Report No 62/16 – 2015/2020 Financial Plan & Provisional Capital Budget 2016/17 |

Report Author: Ian Cochrane, Head of Technical and Property Services

Email Details: Communitiesbusinesssupport@angus.gov.uk