

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 15 AUGUST 2017

**VARIOUS SITES, ANGUS – BULK BATHROOM REPLACEMENT PROGRAMME 2018-2027 -
PROCUREMENT AUTHORITY APPROVAL REQUEST**

REPORT BY HEAD OF TECHNICAL AND PROPERTY SERVICES

ABSTRACT

Report seeking authority for the proposed procurement method where the maximum value of the contract arrangements is above the Chief Officer's delegated authority limit.

1. RECOMMENDATIONS

1.1 It is recommended that the Committee:

- (i) approves the procurement authority, as contained in this report, including the proposal for the Council to participate in the Scottish Procurement Alliance (SPA) framework KB3 in accordance with Sections 16.6 and 16.8 of the Financial Regulations;
- (ii) notes the indicative estimated overall cost of £23,500,000 for the bathroom replacement programme to be carried out over a period covering financial years 2016/17 to 2026/27 together with the financial implications as detailed in **Appendix 1**;
- (iii) authorises the Service Manager - Property to select the most appropriate procurement method against the appointed framework for individual procurements, for example, whether by direct award or by mini-competition to ensure best value is obtained on a case by case basis as noted in **Appendix 1**.

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

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

- We have a sustainable economy with good employment opportunities
- Angus is a good place to live in, work and visit
- We have improved the health and wellbeing of our people and inequalities are reduced

3. BACKGROUND

3.1 Members are advised that the Communities Committee approved the review of the 30 year Housing Revenue Account (HRA) Business Plan which sets out critical income and expenditure criteria, and guides the Council's investment capacity for building new homes and improving the existing housing stock. (Report no.71/17 refers).

3.2 An ambitious HRA Capital investment programme is being taken forward with a value of around £90M for the period 2017- 2022, whilst remaining affordable and sustainable, and staying within prudential financial parameters.

3.3 This allows the Council to invest heavily in existing stock so that all tenants can live in good quality energy efficient homes with great facilities that they can be proud of, and which meet their aspirations. This will make our housing stock more efficient and more attractive, leading to increased allocation rates and customer satisfaction.

- 3.4 As well as continuing to ensure all our properties meet the Scottish Housing Quality Standard (SHQS), our tenants have told us that quality of facilities is very important to them. We therefore propose to replace some 700 bathrooms in each of the next 10 years in a large-scale bathroom replacement programme. It is important that we make our homes more accessible, so the programme will integrate adaptations where necessary to meet specific customer needs which will maximise the benefits of having a contractor on site.
- 3.5 The considerable investment will have a beneficial impact on the economy, and help to maintain skills in the construction sector.
- 3.6 The current Housing Revenue Account Financial Plan 2016-2021 includes a provisional allowance of £23.50m for the Bathroom Replacement Programme over financial years 2016/17 to 2026/27 (includes later years).
- 3.7 In the past works of this nature have been procured on an individual contract basis using standard tendering procedures. Scottish Procurement Alliance (SPA) has put in place a Framework contract which is available for Angus Council to use to procure this type of work. Angus Council is currently a member of the SPA and their Frameworks are available for use. Contracts can either be awarded through a mini-competition process or by a direct award to the most suitable contractor.
- 3.8 A smaller pilot project has been procured using standard tendering procedures and is currently on site. This will help to inform the type, specification and extent of work required in relation to the Bathroom Replacement Programme and to identify installation and management issues.

4. PROCUREMENT AUTHORITY PROPOSAL

- 4.1 It is proposed that the bathroom replacements are procured through the SPA Framework KB 3, as a single contract for 2 years, with an option to extend for up to a further 2 years. This is intended to achieve high quality installations, and good value through economies of scale, and to utilise the analysis and scrutiny of contractor capability that has already been carried out by the Alliance. Full details of the methodology, scope and parameters are contained in Appendix 1.
- 4.2 In accordance with the process stated in Section 16.8 and 16.24.16 of the Financial Regulations, if members approve this report it would mean that the contract can be accepted without the need for further committee approval, but the contract award will be the subject of an 'Information Report'. This procurement is not considered to be a "major procurement" in terms of Financial Regulation 16.8.4.

5. FINANCIAL IMPLICATIONS AND ALLOWANCE IN ESTIMATES

- 5.1 The HRA Financial Plan 2016-2021 (incorporating later years) includes a gross allocation of up to £23.5m for approximately 7,000 bathroom replacements over the next 10 years. By utilising a single contract through the SPA Framework, it is intended that efficiency savings will enable more bathrooms to be installed for the available funding. The work will be contained within current and projected resources. Full financial details are contained in Appendix 1.

6. OTHER IMPLICATIONS

Risks

- 6.1 An assessment has been undertaken for this project and has initially identified risks associated with workload, ensure value for money, quality of service and continuous delivery resulting from contractual issues and encouraging local Small/ Medium Enterprises (SME) involvement. No other significant risks have been identified other than the normal risks inherent in carrying out projects of this size and complexity through a Framework. Technical and Property Services have experience of procuring projects of this nature in a timely manner and every measure will be taken to ensure that these contracts are effectively managed. The assessment of risk for this procurement has initially identified the follow issues:

Risk	Mitigating Actions
Encourage SME Bidding Opportunity	No SME contractors have previously been involved in a significant bathroom replacement programme. This SPA framework is due to be renewed in 2019 and SME's can be contacted to allow them to consider joining a new framework arrangement.
Ensure value for money	A benchmarking exercise will be carried out using rates previously received by Angus Council against figures provided either through direct award or mini-competition when using the Framework.
Quality of Service	The Framework has provision for monitoring quality. Any issues will be taken up with the Framework provider and contractors may be excluded in accordance with the terms of the Framework.

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:

- Corporate Services Committee 20/10/08
 Report No 1040/08 – Sustainable Sourcing of Timber and Timber Products for Property Construction Projects

- Communities Committee 14/2/17
 Report 71/17 – 2017/18 Housing Revenue Account Estimates Incorporating Rents, Charges and St. Christopher's Site Rentals

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List of Appendices

Appendix 1 – Procurement Authority Request

APPENDIX 1 - PROCUREMENT AUTHORITY REQUEST

Scope of Contract

- 1 The works proposed to be covered under this procurement authority request are as follows:
 - Replacement of existing bathroom sanitary fittings with new wc and cistern, wash hand basin, bath with over bath shower or shower tray and full height cubicle with the option to provide a level access shower tray with half height cubicle if recommended by the Occupational Therapist
 - Provision of new laminated wall to bath and shower areas,
 - Provision of vinyl floor finishes
 - Redecoration
 - Upgrading of existing electrical installations including provision of mechanical extract ventilation
- 2 Contracts can be awarded under the SPA Framework until August 2019 but any contract awarded prior to this date can run on beyond the end of the Framework. It is the intention of the SPA to renew the Framework when it reaches the termination date of August 2019 to ensure supply chain certainty. The prices obtained from any mini-competition awarded through the SPA Framework are subject to adjustment on an annual basis using the BCIS Price Adjustment Formulae.
- 3 The Framework allows for the performance of the contractors to be monitored and should performance prove unsatisfactory they can be removed from the list of Framework contractors. There can also be provision included in any contract awarded under the Framework for early termination at the sole discretion of the Employer. This will provide an effective service delivery and contractor management process.
- 4 Framework contractors will be appointed either through direct award or by carrying out a mini-competition exercise. Appointment by direct award or mini-competition will follow the procedure stated in the Framework.

Objectives

- 5 The proposed use of the Framework is intended to speed up the procurement process by omitting the requirement to carry out contractor selection for each individual contract where the value is outwith the Chief Officers delegated authority limit. This selection process has already been carried out by the SPA for their Framework.
- 6 The use of the Framework is also anticipated to result in better value for money although a benchmarking exercise will be carried out to ensure this is the case by comparing prices received through mini-competition exercises and with historical rates obtained through other procurement processes.
- 7 The Framework is split into Lots representing geographical areas. The SPA Framework has two Lots covering the whole of Scotland with different contractor available for each Lot. Angus has been placed in Regional Lot M1 - Southern Scotland.
- 8 The Head of Technical and Property Services proposes that contracts be awarded on the basis of an initial 2-year period with the option to extend up to a further 2 years. This will take the contract period up to a maximum 4 years. Towards the end of the initial 2 year period the performance of the contract will be assessed to decide whether to extend the contract or put in place a new contract through the Framework after a further mini-competition.
- 9 The Head of Technical and Property Services proposes that contracts be awarded in one Lot covering the whole of Angus rather than disaggregating the work into smaller Lots. This approach will result in decreased contract administration and ensure best value is obtained through economies of scale by maximising the size of the contract. This approach may result in reduced opportunities for the employment of local SME's as main contractors, however the Framework will allow local sub-contract opportunities.

- 10 Any mini-competition or direct award exercise will include clauses requesting the successful contractor's participation in the Angus Shared Apprenticeship Programme or similar together with community benefit engagement to meet the delivery of community benefit outcomes. The contract documents will incorporate conditions to fulfil the Council's commitment to pay valid invoices within 30 days of receipt.
- 11 The mini-competition tender evaluation process will be carried out in accordance with the contract standing orders, rules and tender procedures as set out by the SPA. This will be as contained within the appropriate Frameworks in accordance with regulation 16.6.4 of the Council's Financial Regulations.

Sourcing Route/ Collaborative Opportunities

- 12 As the Council is proposing to use approved sourcing routes through a Central Purchasing Body which meet the requirements for identifying collaborative procurement opportunities, Tayside Procurement Consortium (TPC) has in this case not been contacted. The use of these Frameworks meets the Council's obligations to ensure a compliant sourcing route is used for procurement.
- 13 The total value of works exceeds the EU threshold of £4,104,394, the Framework procurement process carried out by the SPA is fully compliant with the relevant EU procurement procedures.
- 14 SPA Framework procurement was carried out following an open tendering procedure which eliminates the requirement for Angus Council to carry out a pre-qualification questionnaire stage. Suppliers were given free and open access to the tender and offer documentation and were required to answer suitability assessment questions. Selection criteria included:
- Business and legal standing
 - Economic and financial standing
 - Employment practices
 - Health and safety management
 - Sustainability and environmental management
 - Capacity and geographic range
 - Technical capability including quality management and experience of working in the public sector
 - Managerial capability, product range and support
 - Technical support provided to the client

- 15 It is the recommendation of the Head of Technical and Property Services that the most appropriate procurement option for delivering the work is to utilise the approach detailed in this Appendix.
- 16 This report details the funding arrangements and procurement options that fall 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. Approval of this report would mean that the individual call-off contracts against the framework can be accepted without the need for further approval by the relevant committee. In accordance with the current arrangements individual contract awards will be the subject of ongoing 'Information Reports' throughout the term of the framework.

Sustainable Procurement Considerations

- 17 The Scottish Government 'Sustainability Test' will be utilised to identify any additional sustainable procurement measures which could be incorporated within the requirements or contract conditions. Due to the nature of these contracts (Lots) it is not possible to identify sufficient materials of a high recycled content. Therefore the target of 10% by value of recycled content in property related construction projects valued over £1 million cannot be achieved on a measurable basis. Technical and Property Services will ensure that, where possible, any material specified includes an element of recycled content. The specification

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. The inclusion of sustainability measures will be subject to compliance with the terms contained in the Framework relating to inclusion of additional requirements which apply to either direct award or mini-competitions.

- 18 Where work is subject to mini-competition or direct award, the successful bidder will be required to meet the community benefits requirements as specified and set as proportionate and relevant to the subject matter of the contract. This will include consideration of the use of the Angus Shared Apprenticeship Programme or similar.

Procurement Procedure and Contract Award Criteria

- 19 Contract award for work to be procured through the Framework will be either by direct award or by mini-competition. The mini-competition process will follow a single stage 'restricted' tender procedure with tender invitations sent out to all contractors who were successful in being placed on the Framework list.

- 20 A quality assessment has been carried out as part of the Framework procurement process, mini-competition tenders will be assessed using quality and price in line with the Framework terms and conditions and the most economically advantageous tender (MEAT) being recommended for acceptance.

- 21 The submissions for the SPA Framework were assessed as follows:

Service capability – 20%

- Companies were assessed from previous case-study information and experience of working on bathroom contracts
- Responses were scored from previous records and key performance indicators (KPI's)

Management systems – 15%

- A series of questions regarding previous contracts, what companies have in place to best service contracts of the size applied for and response to any issue that arises. Data was also recorded as to the company locality to areas applied to service, supply chain locality, direct labour and management staffing (i.e. supervisors, tenant liaison officers [TLO's])

Quality of submission – 15%

- Company's tender responses were scrutinised as to the relevance of detailed information that was included. High scores were given to full and in-depth responses, to all questions, with no missing answers to any of the questions asked.
- All companies were required to fully price against an in-depth schedule of rates for the installation of bathroom furniture and components, including service and services which incorporated electrical, plumbing, lighting, decoration and refurbishment or replacement small building works

Pricing – 50%

- Detailed schedule of rates (SoR) of selected commonly specified bathroom components regarding installation costs
- Fixtures and fittings including services (i.e. electrical, plumbing and joinery)

- 22 Once the tenders have been evaluated, as noted above then an acceptance will be issued to the tenderer providing the highest MEAT score.

Financial Implications

- 23 The Housing Revenue Account Financial Plan 2016-2021 includes a Provisional Allowance of £23.5m for the Bathroom Replacement Programme over the period from April 2016 to March 2022 (includes later years within the HRA Financial Plan).
- 24 This Provisional Allowance does not relate to specific projects and it is anticipated that this Allowance will be will be expended through either direct award or by carrying out mini-competitions using the Framework referenced earlier in this report.
- 25 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.
- 26 The current HRA Financial Plan 2016/2021 has however been the subject of an affordability review by Finance officers as part of the 2017/18 rent setting process. This review ensured that the overall revenue consequences (including borrowing costs) of the proposed total capital spend (incorporating the proposed spend levels within this report) can be sustained on a long term basis by the HRA. Accordingly as the capital programme has been determined to be affordable, any loan charges associated with the programmes of works within this report can be contained within the loan charges provision in the Housing Revenue Account.
- 27 Use of the SPA Framework will incur a 3% levy which is included in any price submitted by the Framework Contractors for each contract. This levy is then paid by the Contractor to the SPA with any profit made by the SPA paid back to its members in the form of a rebate. An alternative offered by the SPA is to reduce the levy to 1.25% with no rebate payable. When the SPA Framework is to be used it is proposed that the reduced levy rate is adopted.