

**ANGUS COUNCIL**

**POLICY AND RESOURCES COMMITTEE – 5 JUNE 2018**

**EARLY YEARS CENTRES, CARNOUSTIE AND FORFAR  
PROCUREMENT AUTHORITY APPROVAL REQUEST**

**REPORT BY HEAD OF INFRASTRUCTURE**

**ABSTRACT**

This report seeks 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 MB1 in accordance with Financial Regulations Sections 16.6, 16.8 and including procuring statutory utility provisions in line with Section 16.24.16;
- (ii) notes the indicative estimated overall budget cost of £5,200,000 for the construction of two Early Years Centres together with the financial implications as detailed in **Appendix 1**;
- (iii) authorises the Service Leader - Assets to carry out mini-competition(s) in line with the framework procedures to ensure best value is obtained as noted in Section 5 and **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 Local Outcomes Improvement Plan 2017-2030 and Locality Plans:

**ECONOMY**

- An inclusive and sustainable economy
- A skilled and adaptable workforce
- Attractive employment opportunities

**PEOPLE**

- The best start in life for children
- Improved physical, mental and emotional health and well-being

**PLACE**

- Safe, secure, vibrant and sustainable communities

**3. BACKGROUND**

3.1 The Children and Learning Committee approved the early years expansion programme including the proposal to provide the necessary accommodation to meet the programme requirements. It was acknowledged that the expansion programme was subject to confirmation from the Scottish Government of the level of funding to be allocated to Angus Council (Report no. 128/18 refers). Funding confirmation has now been received in a letter dated 1 May 2018 from the Scottish Government.

3.2 Angus Council's early years expansion programme aims to implement the Scottish Government's commitment to provide 1140 hours of Early Learning and Childcare (ELC) for every child from August 2020.

- 3.3 In order to meet the demands for the ELC spaces in Carnoustie and Forfar in addition to accommodation being provided in existing establishments, new, purpose built Early Years centre buildings will be required in each burgh. The new facility in Carnoustie would provide a comprehensive range of facilities for children and their families for approximately 200 two to four year olds. The new facility in Forfar would provide the same range of facilities for approximately 150 two to four year olds.

#### 4. PROCUREMENT AUTHORITY PROPOSAL

- 4.1 It is proposed that the provision of early years centres at Carnoustie and Forfar are procured through the SPA Framework MB1 for permanent 'turnkey' modular buildings, which is in place until 30 April 2021. This is intended to achieve high quality buildings, 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 contracts can be accepted without the need for further committee approval, but the contract awards 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 funding for these projects is being provided by the Scottish Government through the allocation confirmed by the Scottish Government in a letter dated 1 May 2018. The allocations matched the bid submitted by the Council on the 2 March 2018 which contained an overall allowance of £5.2m for the provision of new Early Years centres in Carnoustie and Forfar. The projects will be contained within the resources identified for the programme of works. 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, local Small/ Medium Enterprises (SME) involvement and site selection. 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. Infrastructure has 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
Workload	Due to the limited resources available within Infrastructure the use of a design and build modular building through a framework will allow a quick procurement exercise and standardised contractor design. The use of a 'turnkey' arrangement also reduces the pressure on in-house resources.
Encourage SME Sub-Contracting Opportunity	The suppliers on the framework will be encouraged to involve SME's where appropriate for sub-contract opportunities. Due to the nature of the modular construction method with the majority of the building being manufactured off-site local SME opportunities are limited.

Ensure value for money	A mini-competition will be carried out using the suppliers appointed on the Frameworks. This will ensure a level of competition between them. The resulting prices will be assessed by the SPA against the original pricing scenarios submitted as part of the Framework process.
Quality of Service	The Framework has provision for monitoring quality. Any issues will be taken up with the Framework provider.
Site selection	This is ongoing and the subject of option appraisals. Site under consideration are owned by Angus Council which will reduce risk. There may be other restrictions on proposed sites and they are to be identified and the impact assessed.

**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
  
- Children and Learning Committee 13/6/17                Report 188/17 - Early Years Strategy 2017-2020
  
- Children and Learning Committee 19/4/18                Report 128/18 – Early Years Expansion Programme

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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 noted below. The buildings are being designed in line with the Scottish Government guidance document titled Space to Grow which includes design parameters for indoor and outdoor educational/play environments.
- 2 Both buildings are to provide internal and external play areas with various zones by age group which will allow ownership of spaces but also incorporate social spaces for group interaction. The route of travel through the building is to incorporate parental and child separation to ensure minimum disruption and optimise play and teaching opportunities. External play areas are to be provided with a canopy to allow for partial protection from the elements and incorporate internal and external finishes to encourage outdoor play.
- 3 Sensory rooms, toilets, changing facilities, offices and storage areas will be incorporated into the design. A 'green' roof is to be considered to assist in the sustainability of the building and provide possible learning opportunities. The facilities will include associated access roads, external works, landscaping and where necessary car parking. Natural ventilation and lighting will be provided to the internal play areas of the building and where appropriate a heat recovery system will be used where forced ventilation is required.
- 4 The building will provide the following accommodation:

Site	Approximate Building Floor Area	Approximate Number of ELC places
Carnoustie	900m <sup>2</sup>	200
Forfar	830m <sup>2</sup>	155

- 5 Following an initial option appraisal and discussions with the local Carnoustie Councillors the preferred site in Carnoustie has been identified at Pitskelly Park, Pitskelly Road. Its location, will provide a park setting with adjacent trees and grassed areas, this green space setting will provided an advantage to the ambiance, play and learning opportunities available to the staff and children.
- 6 Sites for the facility within Forfar are currently being assessed and an option appraisal is being prepared.

### Objectives

- 7 The objective of this procurement is to provide the necessary new build accommodation to meet the Scottish Governments requirement to provide 1140 hours of ELC from August 2020. Due to the timescales involved in ensuring that ELC provisions are in place in line with the Scottish Government's expectations the use of a modular type building construction to provide the necessary facilities will assist in meeting these timescales. Once the site has been prepared the buildings can be quickly assembled which results in less time on site. The offsite construction of the modular elements can be in progress during the site preparation stage. This Framework allows procurement of modular buildings directly with suppliers/manufacturers and provides for a full 'turnkey' service. This allows the supplier/manufacturer to control the design and off-site construction processes to allow for a more streamlined and efficient on-site construction stage.
- 8 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 out-with the Chief Officers delegated authority limit. This selection process has already been carried out by the SPA for the Framework.
- 9 Framework contractors can be appointed either through direct award or by carrying out a mini-competition exercise. In this case mini-competitions will be run to identify the most economically advantageous tenderer and will follow the procedure stated in the Framework. The use of mini-competitions is anticipated to result in value for money although a

benchmarking exercise will be carried out to ensure this is the case by comparing prices received through the mini-competition exercises and with historical rates obtained through other procurement processes. The SPA will also carry out a validation exercises on any prices contained in the tender documents against the original benchmark costs submitted as part of the price/quality assessment carried out when the Framework was originally set-up.

- 10 The Framework is split into Lots representing geographical areas. The SPA Framework has four regional Lots covering the whole of Scotland with a range of contractors available for each Lot. Angus is in Regional Lot M2 - East Scotland.
- 11 The Head of Infrastructure proposes that contracts be awarded for each scheme following a mini-competition run through the suppliers appointed on the Framework. Contracts can be awarded under the SPA Framework until April 2021 and any contract awarded prior to this date can run on beyond the end of the Framework.
- 12 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.
- 13 Any mini-competition exercise will include clauses requesting the successful contractor's participation in the Councils' community benefits arrangements together with 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.
- 14 It is anticipated that the initial mini-competition documentation for the facility at Carnoustie will be issued mid/late 2018 with a start on site early 2019 and completion by late 2019. The facility at Forfar is anticipated to follow on six months after Carnoustie with a completion by mid-2020.
- 15 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**

- 16 As the Council is proposing to use approved sourcing routes through a Central Purchasing Body which meets 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.
- 17 The combined value of works for both projects may exceed the current EU threshold of £4,554,413, the Framework procurement process carried out by the SPA is fully compliant with the relevant EU procurement procedures.
- 18 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
  - Quality management
  - Employment practices including social inclusion
  - Health and safety management
  - Sustainability and environmental management
  - Capacity and regional capability
  - Technical capability including project management, compliance with regulations and experience of providing Education, Healthcare and Community type buildings.

- 19 It is the recommendation of the Head of Infrastructure that the most appropriate procurement option for delivering the work is to utilise the approach detailed in this Appendix.
- 20 The project includes a requirement to procure from statutory utility providers comprising telephones, gas, electricity and water. In these circumstances payment in advance on the basis of single quotations is warranted. The statutory utility provisions, where procured directly by the Council, will be in accordance with Financial Regulation 16.24.16 and will be funded from the total budget allowance for this project.
- 21 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 contracts awarded following mini-competitions 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.

### **Procurement Procedure and Contract Award Criteria**

- 22 Contract awards for work are to be procured through the Framework 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.
- 23 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. The overall price/quality split to be applied using the Frameworks is 25/75%.
- 24 The submissions for the SPA Framework were assessed as follows:

#### Service capability/ regulation compliance – 25%

- Companies were assessed from previous case-study information and experience of working on turnkey modular building projects

#### Factory/ Depot Inspection – 15%

- Inspection and assessment of the company’s capability in producing the required type and size of building for the workstream applied for.

#### Quality Questions – 15%

- Company’s responses in relation to quality and their operational ability were scrutinised as to the relevance of detailed information that was included

#### Project Management – 10%

- Case studies were requested and the company’s ability to project manage were assessed from the information provided. This included specific written statements and evidence of their ability in this area.

#### Social Inclusion – 10%

- Responses were assessed on the contractors policies and level of social inclusion

#### Pricing – 25%

- Pricing information for each building type and workstream were submitted by the tenderers. The pricing was then entered into different scenarios and using this as a basis for the evaluation a pricing score was arrived at. As the Council will be receiving prices through mini-competition the figure will be directly related to the works.

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

### **Sustainable Procurement Considerations**

26 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 mini-competitions. As part of the outline design the follow items are to be considered for inclusion in the specification:

- Sustainable Drainage System (SUDS) system of an open type which will hold rainwater before entering the main drainage system. This can be used a teaching opportunity on sustainability.
- Green roof system to assist with CO<sub>2</sub> reduction and can be used as a sustainability teaching opportunity.
- Natural ventilation and lighting in main teaching/play zones to reduce CO<sub>2</sub> and energy consumption, this will also provide a pleasant teaching/play environment.
- Installation of photo-voltaic panels, led lighting and heat recovery in mechanically ventilated areas to reduce CO<sub>2</sub> and energy consumption.
- Proposals to request u-values exceed current regulations where possible.

27 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.

28 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.

### **Financial Implications and Allowance in Estimates**

29 The estimated total funding available for this projects is as follows:

<b>Costs</b>	<b>Total Value</b>
Budget Cost - Carnoustie	£2,700,000
Budget Cost - Forfar	£2,500,000
Estimated total available funding (at out-turn prices)	£5,200,000

30 The budgets above include infrastructure, construction, external works, furniture, equipment and fees. They don't include for purchase of land, however the proposed sites for the construction of the new centres are owned by Angus Council and there are no land purchase costs associated with either of these projects.

31 Angus Council is not providing any direct capital funding for these projects. They have been part of the ELC programme funding bid submitted on the 2 March 2018. The outcome of this funding bid had been notified to Angus Council in letter from the Scottish Government dated the 1 May 2018 and confirms that, the overall capital funding allocated to the Councils. The above estimated total funding of £5,200,000 noted above is included in the total capital allocation.

32 As the capital programme is to be wholly funded by the Scottish Government there are no additional loan charges to be paid on the programme by the Council.

33 There will be significant running costs associated with both schemes. As part of the ELC bid the Council included an element of revenue running costs for both properties to cover annual utility, facilities services and maintenance costs. The allocation of the revenue bid has been

received on the 1 May 2018 and the amounts contained within the allocations received from the Scottish Government are as follows:

Carnoustie ELC Centre	£84,000 per annum
Forfar ELC Centre	£78,000 per annum

These figures are in line with the bid amounts originally submitted by the Council. The figures exclude staffing and other related costs which form part of a separate element of the allocation from the Scottish Government.

- 34 Use of the SPA Framework will incur a 1% levy which is included in any price submitted by the Framework Contractors for each contract, this levy is retained by the SPA and is not subject to a rebate.