

**Report of: Executive Member for Environment and Transport**

Meeting of:	Date	Ward(s)
Executive	19 March 2020	All

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**SUBJECT: Procurement Strategy - Small Works Projects and Building Maintenance Services****1. Synopsis**

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of Small Works Projects and Building Maintenance Projects in accordance with Rule 2.7 of the Council's Procurement Rules. It is not new spend but addresses procurement compliance issues with the way these small contracts are procured.
- 1.2 The Council requires a provision for small works and building maintenance services predominately for the facilities at the Waste Recycling Centre (WRC). Parks service and Leisure sites also require specialist and urgent repairs as well as various maintenance works.
- 1.3 This procurement strategy for small works projects and building maintenance services is intended to be used across all departments within the council including the Inclusive Economy Team.

2. Recommendations

- 2.1 To approve the procurement strategy for small works and building maintenance services as outlined in this report.

- 2.2 To delegate award of any contract via the YPO Dynamic Purchasing System (DPS) to the Corporate Director Environment and Regeneration in consultation with the appropriate Executive Member.

3. Background.

3.1 Nature of Service:

The Council requires contractors to carry out regular small works including minor construction works and building maintenance services for asset and facilities managers in Environment and Regeneration and other parts of the Council to ensure that key sites, buildings and equipment are maintained to a high standard.

An internal assessment has been completed, including an assessment of spend data and review of existing arrangements to determine future requirements.

3.2 Estimated Value:

The contracts will mainly be funded by revenue funds, however, there may be small projects provided through capital funds. The value of works and repairs will fluctuate depending on the need/demand. Based on previous year's requirements and looking forward, it is anticipated that the annual spend for each service is as follows:

Depots and Special Projects – £1,500,000

Parks Service – £500,000

Leisure Service - £150,000

Other Council Departments – potentially up to £1,500,000

The aggregated value over a four-year period is estimated to be up to £14,600,000

This strategy proposes that each contract will be awarded via a dynamic purchasing system (DPS) which will be set up and managed by a third party (called *adam*). The maximum cost of using *adam* to manage a DPS is £15,000 in set up and implementation costs, and £15,000 per annum for the duration of the contract. It is proposed that the DPS will be valid for four years and therefore the total cost to the Council will be £75,000.

The proposal provides costs for the implementation and operation of *adam's* digital commissioning solution for Public Realm – Small works and services.

The costs are divided into two elements:

- Implementation Fee – A one off charge for the project required to engage with the supplier market, establish a new DPS, and implement the *adam* technology.
- Annual License Fee – Annual charge for the ongoing cost of the technology (SProc.Net) and associated support services.

- Implementation Fee £15,000 (one off fee)

The Implementation Fee amount is a fixed one-off cost based on a typical implementation of approximately 16 weeks and includes expenses. This fee is invoiced in full upon commencement of the project.

- Annual Licence Fee £15,000 (per annum)

The Licence Fee is a fixed annual charge and will be invoiced upon the initial usage of the technology (typically establishment of the DPS), and subsequently on each anniversary.

Prices quoted exclude VAT.

- Contracting Method

The solution can be procured through a direct award under the following framework:
YPO National Framework (723) - Dynamic Category Solutions
https://www.ypo.co.uk/framework/detail/900220#framework_details

- Contract Terms

The standard contract term is for 4 years

A direct award can be made to *adam* via the Yorkshire Purchasing Organisations (YPO) Dynamic Category Solutions framework where *adam* is the single framework provider. *Adam* has been successfully used by a number of other local authorities.

A DPS will establish a pool of contractors that meet the Council's selection criteria. Once a contractor has passed the selection stage and been admitted to the DPS, they will be invited to tender for all relevant contracts. This can occur at any stage and for any value of job. Applications to join a dynamic purchasing system are open to all contractors, and applications may be considered at any stage during its duration.

All payments for orders placed via the DPS will be made to those particular contractors directly undertaking the works and not through the third party *adam*.

3.3 Timetable:

Direct call-offs will be placed from the YPO framework agreement to engage *adam*. It is anticipated that the award will be made by 1 April 2020 and that the dynamic purchasing system should be available for use by the council by 18 August 2020.

The following is a sample timeline for implementation provided by *adam*:

- Project Governance (Weeks 1 – 16)

Owned by the *adam* Project Manager, this work stream governs the running of the project, including risk & issue management and ownership of the project plan.

- Scoping & Engagement (Weeks 1 – 5)

Category and data scoping to understand all current processes, challenges and key drivers for implementing the *adam* solution.

- Supplier Engagement (Weeks 2 - 5)

Our dedicated Supplier Engagement Team will work with you to understand the current state and relationship with your provider base, as well as defining how *adam* will engage with the market throughout the project (i.e. market engagement events)

- Benchmarking (Weeks 5 - 8)

Clear measures of success are defined, allowing us to report on and demonstrate all benefits realised through the use of the *adam* solution.

- Accreditation & Enrolment Criteria (Weeks 5 -10)

Definition of the entry criteria, in line with Public Contract Regulations (PCR) 2015, that your providers are required to meet in order to be admitted onto your supply chain.

- Establishment Documents (Weeks 5 - 10)

Documentation required for establishing a Dynamic Purchasing System (DPS). This work stream will work to define the governance of your DPS as supported by our legal experts.

- System Configuration (Weeks 9 - 14)

DPS governance is translated into system functionality, enabling effective commissioning. Rigorous testing is completed predominantly by *adam*, supported by client users.

- Supplier Onboarding (Weeks 10 – 16)

Realisation of the initial market engagement activities, as identified in the Supplier Engagement workstream. Sessions/calls led by *adam* to introduce a wider provider pool to client.

- Finance & Invoicing (Weeks 10 - 14)

Configuration of all invoice files, especially those that must interface into external systems driving process efficiencies in integration between systems.

- Training (Weeks 14 – 16)

End-to-end system training is given to all users (Providers & Client), ensuring full confidence in the use of the system.

3.4 Options Appraisal:

The following options have been considered:

Option 1 - Utilising a third party/national framework, or collaboration with other bodies – no suitable framework agreement which sufficiently covered the aspects required, nor a co-terminus collaboration opportunity with another local authority or public body could be readily identified.

Option 2 – Bringing the whole portfolio of small works and building maintenance services in-house – the council does not currently have the resource to do this, nor the necessary specialisms in many areas where there is a requirement. The situation will be under continual review, and opportunities to bring small works or services in-house will be considered as they arise.

Option 3 - Setting up a DPS to procure individual contracts for small works/maintenance is the preferred option as this offers the most flexible and cost effective route. The nature of a DPS is that there is no guarantee of value nor volume of work to any contractor, which provides an advantage to the council when in-sourcing opportunities may arise, as there is little or no risk of having to terminate a contract in order to do so.

Further benefits of establishing a DPS include:

- Greater control of commissioning and procurement processes; and compliance with statutory requirements and the council's Procurement Rules.
- Opportunities for category management – departments across the council will be able to access the system and work together on identified requirements to issue joint invitations to tender/bid, which may encourage volume discounts from suppliers.
- The bidding process can potentially achieve budget reductions and reportable financial savings through focussed competition.
- Potential to broaden the supply chain by accessing category-specific providers on level playing field where work is allocated openly and transparently, while at the same time offering plenty of opportunities for SMEs and local providers to bid for work.

3.5 Key considerations: -

This proposal will contribute to council priorities in the corporate plan in the following ways:

- **Jobs & Money** – promote local SME's to join the DPS and work with all contractors and suppliers to ensure they are fair employers that pay the London Living Wage as a condition of all contracts. The council will be able to achieve a significant amount of

social value, as the system makes bidding for work particularly straightforward for local SME's.

Adam have a dedicated supplier engagement team and this resource will be utilised to reach out to local SME's through events designed to promote the DPS. The Inclusive Economy Team will work closely with *adam* to ensure the DPS is advertised widely to relevant local businesses. This collaborative approach will support these local businesses through the qualification process and enable them to bid for work via the DPS.

- **A Well Run Council** - The DPS will be set up to allow for, and encourage, best value by both continuous quality improvements in regard to efficiency and effectiveness as well as competitive pricing.
- **Place & Environment** - Making Islington a welcoming and attractive borough by supporting the provision of facilities for services that keep the borough clean. Make a positive impact on the environment by enabling the procurement of goods and services that keep parks and open spaces to a high standard.

There are no TUPE or pension implications

3.6 Evaluation

This tender will be conducted in two stages, known as the Restricted Procedure as the tender is 'restricted' to a limited number of organisations. The first stage is Selection Criteria through a Selection Questionnaire (SQ) which establishes whether an organisation meets the financial requirements, is competent and capable and has the necessary resources to carry out the contract. The SQ is backwards looking and explores how the organisation has performed to date, its financial standing, information about their history and experience.

All organisations that meet the SQ requirements as specified in the advertisement will be admitted to the DPS. The second stage is the invitation to tender ITT which is forwards-looking using Award Criteria. Tenders are evaluated on the basis of the tenderers' price and ability to deliver the contract works or services as set out in the award criteria in order to determine the most economically advantageous offer.

For all works above £5,000, the proposed award criteria will generally be 50% price and 50% quality. For works below £5,000, award will generally be based on price alone. However, there may be cases when this is not the case and we reserve the right to change the award criteria on a project/scheme basis.

The quality criteria will be made up of:

Proposed methodology for undertaking and delivery of this contract.

- measuring, maintaining and improving the standards in the contract; business continuity; staffing levels/equipment and systems for delivery (20%)

Proposed methodology for management and supervision in delivering the contract.

- efficiency; quality consistency; knowledge of the contract/compliance; effective use of the supply chain and planned management structure with link to delivery structure. (10%)

Proposed methodology for Quality Management throughout the lifetime of the contract.

- approach to quality, monitoring performance, audit responses and maintaining quality and contract management matters (10%)

Proposed methodology for economic, environmental sustainability and social value.

- proposed approach to customer service, equality and diversity and health and safety in delivery of the contract (10%)

3.7 Business Risks:

The main business risk is that volumes of works required exceed the available budget. This will be mitigated through careful financial management of costs and assessment of need with providers.

If certain contractors cannot deliver the volume of work required, this will be mitigated by the number of providers on the DPS. Business opportunities associated with this procurement include better partnership working; having regular providers who deliver the services which will allow us the opportunity to improve service delivery

There will be opportunities to impact social value by increasing the number of local SMEs, allowing a positive impact on the community we service by working with smaller organisations. Service managers will look to have smaller packages of work to support supplier diversity.

An improvement in the quality of service provision and the reduction of costs will allow savings to be channelled into better front line services, which will have a positive impact on members of the public and other service users.

- 3.8 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to complete an anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences

- 3.9 The following relevant information is required to be specifically approved by the Executive in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	To provide high quality repairs and maintenance to buildings enabling key services. See paragraph 1.2
2 Estimated value	The estimated value per year is Depots and Special Projects – £1,500,000 Parks Service – £500,000 Leisure Service - £150,000 Other Council Departments – up to £1,500,000

	<p>The agreement is proposed to run for a period of 4 years And the estimated total value is estimated to be up to £14,600,000</p> <p>See paragraph 3.2</p>
3 Timetable	<p>Executive Award</p> <p>19 March 2020 1 April 2020</p> <p>See paragraph 3.3</p>
4 Options appraisal for tender procedure including consideration of collaboration opportunities	<p>Option 3 - A dynamic purchasing system is the preferred procurement route.</p> <p>See paragraph 3.4</p>
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	<p>Social benefit clauses - the Council should be able to achieve a significant amount of social benefit, as the system makes bidding for work particularly straightforward for local SMEs.</p> <p>London Living Wage will be included where legally applicable as a condition of all contracts</p> <p>Best value - The DPS is set up to allow for and encourage best value by both continuous quality improvements in regard to efficiency and effectiveness as well as competitive pricing.</p> <p>There are no TUPE or pension implications.</p> <p>See paragraph 3.5</p>
6 Evaluation criteria	<p>Although some decisions will be based mainly on price. Financial viability, workforce management, health and safety and customer service standards will be assessed at the award stage.</p> <p>See paragraph 3.6</p>
7 Any business risks associated with entering the contract	<p>Volumes of works required may exceed the available budget. This will be mitigated through careful financial management of costs and assessment of need with providers.</p> <p>Certain contractors may be unable to deliver the volume of work required. This will be mitigated by having multiple providers on the DPS.</p> <p>See paragraph 3.7</p>

8 Any other relevant financial, legal or other considerations.	Financial and Legal implications are detailed in points 4.1 & 4.2 below
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4. Implications

4.1 Financial implications:

The estimated value of the procurement strategy for small works is estimate to be around £14.6million over the 4-year period. The nature of the recommended procurement option does not commit any council financial resources, but will allow for spend to be made from existing revenue and capital resources and additional resources if available and/or necessary.

4.2 Legal Implications:

The council is responsible for undertaking the repair, maintenance and improvement of its buildings, open spaces and leisure facilities (section 1 Localism Act 2011, section 111 Local Government Act 1972, Open Spaces Act 1906 and the Local Government (Miscellaneous Provisions) Act 1975 (section 19). Accordingly, the council may enter into contracts for the carrying out of the necessary repairs and maintenance to its buildings and the above facilities (section 1 Local Authorities Contracts Act 1997).

The proposed contracts are public works contracts. The aggregate value of the proposed contracts is above the financial threshold. for such contracts. Accordingly, the procurement must be advertised in the Official Journal of the European Union (OJEU).

The council has access to the Yorkshire Purchasing Organisation's dynamic purchasing system Category Solutions framework where Adam HTT Limited (*adam*) is the single framework provider. Accordingly, the council may appoint *adam* for the purpose of establishing a dynamic purchasing system for small works projects and building maintenance. The DPS will need to be set up in accordance with requirements of regulation 34 of the Public Contracts Regulations 2015.

4.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

The Small Works Projects and Building Maintenance Services contract will have several environmental implications. These include the use of materials and energy, the generation of waste and travel-related impacts including vehicular emissions and contributing to congestion. Certain works may also carry a risk to biodiversity if they risk disturbing protected species such as bats or nesting birds. There may also be ongoing implications in cases where the works involve installing equipment that uses energy, such as lighting.

The procurement methodology includes a question on environmental sustainability, which makes up 10% of the scoring. Bidders with better environmental practices will therefore score more highly.

4.4 Resident Impact Assessment:

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard

to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment was completed on 03/04/19. The completed Resident Impact Assessment is appended and no adverse impacts were identified.

5. Reason for recommendations

- 5.1 The Council requires a provision for small works contracts and building maintenance services predominately for the facilities at the Waste Recycling Centre (WRC). Parks service and leisure sites also require specialist and urgent repairs and maintenance works. In setting up a DPS the Council will be compliant with procurement rules and regulations.

Signed by:

Date:



9.3.20

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Executive Member for Environment and
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