

**FLINTSHIRE COUNTY COUNCIL**

**REPORT TO:**           **CABINET**

**DATE:**                   **TUESDAY, 22 JANUARY 2013**

**REPORT BY:**           **DIRECTOR OF LIFELONG LEARNING**

**SUBJECT:**               **CONSTRUCTION PROCUREMENT NORTH WALES:  
PROCUREMENT STRATEGY**

**1.00   PURPOSE OF REPORT**

1.01   A decision is required from each North Wales authority to agree to implement the project (set up a framework for construction projects over £4.35m) for the North Wales region as a condition of grant funding from the 21<sup>st</sup> Century Schools Programme.

**2.00   BACKGROUND**

2.01   The purpose of this report is to present the Procurement Strategy for the Construction Procurement North Wales project and seek approval to implement the strategy. A condition of the 21<sup>st</sup> Century Schools funding is that authorities must sign up to this approach to enable them to draw down grant funding. The project is a collaborative project funded by Department for Education and Skills (21<sup>st</sup> Century Schools Programme) Welsh Government and led by Denbighshire and Flintshire County Councils on behalf of the 6 North Wales authorities.

2.02   The aim is to set up a regional framework agreement for major construction works over the Official Journal of European Union (OJEU) threshold for construction works (valued over £4.35m), which is a pre-qualified group of contractors that any authority can appoint through a mini-competition without going through a lengthy OJEU process for each individual project, leading to significant cost and time savings.

2.03   Along with the regional framework, the project's scope is also to improve the current construction procurement practices for projects valued below this threshold across the region, to ensure consistency, drive delivery of community benefits, develop continuous improvement and set new benchmarks for best practice.

2.04   It is proposed that the framework be operational for all authorities and available to other public sector agencies (Higher Education, Police Authority and Fire and Rescue Services) by August 2013 and be in place for four years (with a break clause to review after 2 years).

### 3.00 **CONSIDERATIONS**

- 3.01 The Procurement Strategy document has been placed in the Members' Library. The document is set out in two sections; the overview of the strategy covering project context and the main principles that the strategy would adopt, and the operational section which sets out the technical procurement and construction details.
- 3.02 The project has been set up with sound governance and reporting structures with the overall decisions for approval being sought from the respective cabinets.
- 3.03 The main driver for the project is to obtain value for money from public procurement and deliver community benefits across the region. This is best achieved through an aggregation of construction projects associated with the 21<sup>st</sup> Century Schools Programme. This equates to a £196m investment across North Wales over the next 4 to 7 years, funded 50/50 by Local authorities and the Welsh Government. The table below indicates the projects across the region.

#### **21<sup>st</sup> Century School Programme- Project per County Area**

| <b>County</b>       | <b>No. of Projects</b> | <b>Overall Value</b> |
|---------------------|------------------------|----------------------|
| <b>Conwy</b>        | <b>4</b>               | <b>£18m</b>          |
| <b>Denbighshire</b> | <b>4</b>               | <b>£48m</b>          |
| <b>Flintshire</b>   | <b>4</b>               | <b>£64m</b>          |
| <b>Gwynedd</b>      | <b>5</b>               | <b>£36m</b>          |
| <b>Wrexham</b>      | <b>5</b>               | <b>£22m</b>          |
| <b>Ynys Mon</b>     | <b>1</b>               | <b>£8m</b>           |
| <b>TOTAL</b>        | <b>23</b>              | <b>£196m</b>         |

Please note that projects where contracts have already been awarded have been excluded from this figure

This long term programme has allowed the project team through extensive consultation to determine an appropriate lotting structure and number of contractors to appoint into each value band.

- 3.04 The Lotting Strategy (the way in which the framework will be divided into value bands is set out below:

| <b>Indicative Value Bands</b> | <b>No. of Projects</b> | <b>Value £m</b> | <b>No of Contractors</b> |
|-------------------------------|------------------------|-----------------|--------------------------|
| <b>£4.35m &gt; £7.5m</b>      | <b>6 no.</b>           | <b>£32m</b>     | <b>6 no.</b>             |
| <b>£7.5m &gt; £15m</b>        | <b>7 no.</b>           | <b>£84m</b>     | <b>6 no.</b>             |
| <b>£15m+</b>                  | <b>2no.</b>            | <b>£60m</b>     | <b>1 no.</b>             |
| <b>TOTAL</b>                  | <b>15 no.</b>          | <b>£176m</b>    |                          |

- 3.05 The aim for smaller projects is to improve current practises through standardised procurement approaches and improved collaboration procedures to develop a common regional procurement approach, share best practice, develop standard specifications and share resources. There are currently 8 projects within the 21st Century Schools programme below the OJEU threshold (£4.35m) totalling £20m.
- 3.06 The Regional Framework Agreement for major construction works over the OJEU threshold (£4.35m) is estimated to cover 15 projects within the 21<sup>st</sup> Century Schools programme and work totalling £176m.
- 3.07 The “Community Benefits, Delivering Maximum Value for the Welsh Pound” toolkit produced by Value Wales will be incorporated into the framework.

The framework will aim to maximise the benefits of the projects to the local community and sustain economic development. The following considerations will be sought through a community benefits plan submitted by the contractors:

- training and employment targets – work experience, mentoring, Shared Apprenticeship Scheme;
  - embedding the use of the Fair Payment Charter and promote and encourage prompt payment of sub-contractors;
  - considering opportunities for supported businesses;
  - education – work placements, volunteering at school / college open day events, school visits;
  - Jobcentreplus work experience programme; and
  - community Initiatives - supporting local youth Groups and Community.
- 3.08 The above is an agreed set of principles that will be delivered through the procurement process, but with scope for each authority to determine their own specific economic needs and to ensure that the contract conditions for each project specify the actual community benefits that are sought. This will allow flexibility in the process and can be tailored to each specific project and local authority’s needs, whilst enforcing the community benefits needed as a result of this investment across the region.

Work has been undertaken to mitigate the risks of local SMEs not being appointed onto the framework for North Wales. The project team (working with national trade bodies) mitigate this by engaging

with the market and ensuring that the proposed procurement vehicle that is developed, is a fair and transparent model to all contracting organisations. Balance is also maintained by a proportion of construction work being retained for tendering outside the framework. Work with Construction Skills and SDS (Supplier Development Service), Menter a Busnes and National Federation of Builders has enabled the development of bespoke and generic economic development support packages for the construction industry.

- 3.09 An inter authority legal agreement between the participating authorities would be required to be drawn up to ensure in the event of a legal challenge that the costs associated with this would be spread amongst the collaborative authorities and not borne by an individual authority.
- 3.10 Community Benefits (educational and economic) identified above are a key priority for the project. The project must also deliver on the commitment to securing economies of scale, continuous improvement and efficiencies through procuring projects (over £4.35m) through a framework approach.

#### **4.00 RECOMMENDATIONS**

- 4.01 It is recommended that the project be approved to proceed to implementation stage to set up a framework for projects over £4.35m and improve current construction procurement practices below this level across the region.

#### **5.00 FINANCIAL IMPLICATIONS**

- 5.01 A key factor to the future success of the framework and maximising delivery on community, educational and economic benefits will be a properly resourced contract management team. It has been agreed that a report setting out the framework management will be discussed by Chief Executive Officers North Wales Forum Meeting in January 2013. This will be hosted by Denbighshire County Council, and will result in a cost of approximately £75k pa. Between the 6 authorities this is in the region of £13k per authority per annum for at least four years.

#### **6.00 ANTI POVERTY IMPACT**

Community benefits provide the opportunity for increased local employment and training opportunities.

#### **7.00 ENVIRONMENTAL IMPACT**

- 7.01 All 21<sup>st</sup> Century Schools projects delivered through the framework will be at a minimum of BREEAM Excellent ((BRE Environmental Assessment Method) which is the leading and most widely used

environmental assessment method for buildings).

## **8.00 EQUALITIES IMPACT**

As above, community benefits provide the opportunity to create new employment and training opportunities.

## **9.00 PERSONNEL IMPLICATIONS**

There are no direct personnel implications arising from this report.

## **10.00 CONSULTATION REQUIRED**

Stakeholder engagement remains key to delivering positive outcomes including value for money and community benefits.

## **11.00 CONSULTATION UNDERTAKEN**

11.01 Stakeholder Engagement has been a key part of the project work so far. Key stakeholders in this process have been the construction industry, officers in all six North Wales authorities and Welsh Government (DfES, Value Wales, and Constructing Excellence Wales). A Prior Information Notice in the OJEU (Official Journal European Union) was published in October 2012 with a link to an online questionnaire that asked a series of questions to help inform the Procurement Strategy document. A contractor briefing event was also held on 12<sup>th</sup> November to feedback to the Construction industry the results from the questionnaire and to inform the industry about the process and drivers for the project and also answer and respond to key questions. Over 120 contractors attended the event and of the 49 feedback forms returned 98% stated that the event was excellent or good. The feedback report can be seen in the appendices of the Procurement Strategy, which is available in the Members' Library.

## **12.00 APPENDICES**

12.01 Procurement Strategy in Members' Library.

### **LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 BACKGROUND DOCUMENTS**

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