

**HAMPSHIRE COUNTY COUNCIL****Report**

<b>Committee:</b>	Buildings, Land and Procurement Panel
<b>Date:</b>	30 June 2015
<b>Title:</b>	Minor Works Construction Framework Procurement
<b>Reference:</b>	6646
<b>Report From:</b>	Director of Culture, Communities and Business Services

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## **1. Executive Summary**

- 1.1. The purpose of this paper is to gain approval to proceed with the procurement of a 4 year minor works construction framework with a maximum annual value of £60m, and to seek approval to an expected increase in value of the Regional Modular Building Framework.
- 1.2. The minor works construction framework will be structured into various value bands and Lots for schemes expected to be up to £1m in project value. The framework will be used to procure building works, mechanical and electrical services, SCOLA recladding and some specialist construction services across Hampshire. The framework will complement the new Intermediate Construction Framework (ICF) (which targets schemes £1m to £4m); the new Southern Construction Framework (South England £4m and up) and existing Hampshire County Council (HCC) frameworks for roofing and decorating. The framework will replace the existing Register of Contractors. It will also largely replace the Local Construction Framework (up to £1.5m); the upper band (£1m - £1.5m) migrating to the new ICF. The arrangement will be available to other public sector organisations.
- 1.3. The main objectives of the framework are to work more closely with selected small/medium construction contractors, to deliver improved cost outcomes, together with greater local spend, local employment and apprenticeship opportunities.
- 1.4. This paper seeks to set out the background to this project and the benefits of a collaborative framework approach to construction (minor works).
- 1.5. Regional Modular Building Framework: Further to the report to the Panel on 31 March 2015, noting the intent to procure a new Regional Modular Building Framework (potential value £150m over 4 years), further liaison by HCC with London and SE England authorities has revealed a very strong interest in

user participation, especially in meeting short /medium term demand for educational accommodation. On the basis of increasing pupil number projections in 2016 – 2020 and the need to provide accommodation at short notice, the value of the framework across Southern England may well exceed the £150m estimate and a £300m value is a more realistic higher end range total.

- 1.6. In the HCC area, projections of pupil numbers suggest that a maximum value of £13m over the 4 year term of the framework are more realistic than the £8m previously noted in the March report and revised approval is sought via this report to raise this value.

## **2. Contextual information**

- 2.1. Lower value construction projects in Hampshire are procured through a mix of frameworks and a register for general and specialist contractors. Projects of less than £25,000 are generally procured via quotations (at least 3), the contractors being sourced from frameworks, the approved register of contractors, or through the term maintenance contractor.
- 2.2. The existing Local Construction Framework (LCF) comprises a number of national and regional contractors delivering projects up to £1.5m. This framework will expire in August 2016 and needs to be replaced. The annual spend through the LCF is some £25m pa; about £7m of this is in the £1m to £1.5m band that would migrate to the ICF.
- 2.3. In addition there are a number of other specialist frameworks in place, covering the following work and value bands:
  - External Decorating and Repairs £1 - £250,000
  - Mechanical and Electrical works £75,000 - £500,000
  - Roofing works £75 – £500,000
- 2.4. Non-framework spend is procured through inviting quotes or tenders with contractors selected from the Register of Contractors.
- 2.5. Term Maintenance contractors have been established for all planned and reactive maintenance work across the whole of the built estate. Within this arrangement there is the facility to procure minor works in the range of £7,500 to £25,000.
- 2.6. It has been assessed that the total applicable spend by the County Council for the new arrangement is in the region of £40m per annum.
- 2.7. In addition it is anticipated that schools within Hampshire will place between £3m and £6m of work per annum through the framework.
- 2.8. The exact geographic boundary and number of users has yet to be fully defined, but is likely to include a number of local authorities and other public sector organisations such as the Police and Fire Service within Hampshire, Berkshire unitaries and the Isle of Wight Council. Reading Borough Council whom the Council has a long property partnership with will be invited to

participate. Adding these other potential users will increase the estimated annual spend to £60m.

### **3. Current Issues**

- 3.1. The Local Construction Framework (LCF) is dominated by medium and large regional construction companies that prefer to work in the upper part of the up to £1.5m band. There is a need for greater capacity to service the lower value projects that the County Council commonly procures. It is therefore proposed to introduce lower value bands within the new framework to encourage smaller contractors capable of undertaking such work to participate.
- 3.2. There is a gap in mechanical and electrical services contractors falling between the term contract arrangement limit £25,000 and the existing frameworks that commence at £75,000. The new framework will resolve this.
- 3.3. The existing Register of Contractors comprises some 500 companies offering 30 different service areas across both main contracting and many specialist areas. In reality few companies are employed regularly and the Register requires a disproportionate amount of time to manage. Removing the Register will bring about efficiencies for the County Council – valuable when revenue budgets are under continuing pressure.

### **4. Finance**

- 4.1. The main focus of the proposed frameworks is to reduce costs by buying locally from smaller companies in Hampshire that can deliver good service at lower cost than the larger providers.
- 4.2. By introducing the proposed minor works framework there will be a direct saving in professional and administrative time through a more streamlined process, with greater automation, better control and improved performance management systems.
- 4.3. There will be a cost recovery arrangement built into the framework to cover management costs when it is used by external customers.
- 4.4. The intention is that projects will be called off as 'price only' for simple projects. On more complex projects there will be a two stage tender process with additional quality inputs for selection.

### **5. Performance**

- 5.1. Performance is likely to influence the level of opportunity that the contractors under the framework have to bid for work, so that high performing contractors have a greater opportunity to win repeat business

### **6. Consultation and Equalities**

- 6.1. All procurement process and tender documentation will contain the County Council's current requirements for consultation and equalities.

## **7. Other Key Issues**

- 7.1. The frameworks will strongly support local Shared Apprenticeship Schemes (SAS) and set targets for providers. Shared Apprentices can work for numerous employers within a catchment area; the arrangement is ideal for small companies (5 – 50 employees) that between them can provide continuity of training to apprentices.
- 7.2. There will always be areas of irregular and or specialist spend which cannot be accommodated by the new framework; the proposal here is to utilise Construction line and Contracts Finder or a similar suitable and streamlined solution.

## **8. Lotting of Frameworks by Value band and Discipline**

- 8.1. With other Hampshire public bodies engaged as users, the anticipated annual spend is anticipated to be in the order of £60m. The framework will be advertised on the basis of a 4 year term with a value totalling £240m.
- 8.2. The indicative Lotting is as below;
  - General Contractor £0 - £50,000
  - General Contractor £50,000 - £250,000
  - General Contractor £250 - £1M
  - SCOLA recladding £0 - £1.8M
  - Mechanical and Electrical Services £0 - £75,000
  - Mechanical and Electrical Services £75,000 - £1M
  - Other e.g. demolition

## **9. Future direction**

- 9.1. The intent is to work toward putting the Construction Minor Works Framework in place progressively from 1<sup>st</sup> Quarter 2016 onward and all to be in place before the existing Local Construction Framework expires in August 2016.

## **10. Recommendation**

That the Buildings, Land and Procurement Panel makes the following recommendation to the Executive Member for Policy and Resources:

- 10.1. To approve the procurement of a new Minor Works Construction Framework as outlined within the report, to a maximum value of £240m over the 4 years with a targeted implementation date of 2016.
- 10.2. To approve the increase in potential maximum value of the Regional Modular Building Framework from £150m to £300m and to approve the increase of the HCC maximum value from £8m to £13m.

**CORPORATE OR LEGAL INFORMATION:****Links to the Corporate Strategy**

Hampshire safer and more secure for all:	yes
Maximising well-being:	no
Enhancing our quality of place:	yes

**Other Significant Links**

<b>Links to previous Member decisions:</b>		
<u>Title</u>	<u>Reference</u>	<u>Date</u>
<b>Direct links to specific legislation or Government Directives</b>		
<u>Title</u>	<u>Date</u>	

**Section 100 D - Local Government Act 1972 - background documents**

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

## **IMPACT ASSESSMENTS:**

### **1. Equality Duty**

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;

Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;

Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

#### **Due regard in this context involves having due regard in particular to:**

The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;

Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;

Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

### **1.2. Equalities Impact Assessment:**

The frameworks procurement processes and documentation will embody all current HCC Equalities best practice.

### **2. Impact on Crime and Disorder:**

2.1. Local youth employment and training is targeted, which should impact positively on local crime and disorder

### **3. Climate Change:**

Targeting local employment opportunities and businesses should reduce carbon footprint in respect of journey times in Hampshire

The construction frameworks will embrace sustainable best practice in developing an estate more adaptive and resilient to climate change.