

**Report of: The Chief Procurement Officer**

**Report to: The Director of City Development**

**Date: 6 October 2014**

**Subject: YORbuild regional construction framework re-procurement**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: Appendix number:	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

### Summary of main issues

1. This report seeks approval to re-procure the YORbuild regional construction framework as the current framework put in place in 2009 will expire in December 2015, and reviews the benefits Leeds City Council has achieved through the use of the framework.
2. The report examines the merits of participating as a Contracting Authority in the procurement of YORbuild 2 to replace the current arrangements on their expiry in December 2015, and sets out the outcome of consultation exercises concerning the scope of a replacement framework.
3. A recommendation is made that there is future benefit to Leeds City Council in participating in the procurement and use of a second regional construction framework, and that as such that activity is to be approved and supported.
4. Approval for the scope and proposed procurement route of the replacement arrangements on behalf of Leeds City Council as the lead contracting authority for West Yorkshire.
5. The current framework expires on 3 December 2015; a decision to re-procure the framework arrangement (which is itself a Key Decision under Contracts Procedure Rule 3.1.8) is required.

### Recommendations

- 1 Approve the participation of Leeds City Council in the re-procurement of a second YORbuild regional construction framework to be established from December 2015.
- 2 Approve the participation of Leeds City Council as a Contracting Authority.
- 3 Approve the participation of Leeds City Council as the lead contracting authority for the West Yorkshire Region of the framework.
- 4 Endorse the use of the re-procured YORbuild as an Approved framework for the purposes of Contracts Procedure Rules.

## **Purpose of this report**

- 1.1 To summarise the benefits to Leeds City Council to date from the use of the YORbuild regional construction framework, and seek approval for the participation by the provision of physical resources to a regional project team, to procure a replacement framework to be in place for December 2015 when the current arrangements expire.

## **2 Background information**

- 2.1 Executive Board approved the procurement of a contractor framework for the delivery of Leeds City Council building contracts in December 2005.
- 2.2 YORbuild is a Yorkshire & Humber regional collaborative framework and is available to all public sector and third sector organisations in the region. The framework is currently managed in four sub regional wedges by officers from Scarborough District Council (North), East Riding of Yorkshire Council (East), Rotherham Borough Council (South) and Leeds City Council (West). The funding to support these resources is generated from fees charged to users of the framework which are calculated relative to the estimated cost of construction.
- 2.3 The YORbuild Framework commenced in December 2009. To date the value of construction projects commissioned through the YORbuild framework is c£645m, with £230m of that in the West area managed by Leeds City Council.
- 2.4 The current framework consists of 39 contractors, 80% of which are regionally based, 41% in West Yorkshire and 18 % in Leeds.
- 2.5 Yorbuild is one of a suite of frameworks currently supported and delivered through 'YORhub', which coordinates and steers the frameworks. The frameworks represented by YORhub are YORbuild, (for new build and refurbishment of the civic estate), YORcivils (for highways and civil engineering projects), YORconsult (construction and engineering related consultancy).
- 2.6 The council currently has representation for YORhub as a Board Member on the shadow board and in providing the role of Chair of Operations (West Area). Leeds City Council also provides a framework manager for YORbuild (West Area) and manages the regional Supply Chain Management Programme (YORscep).

- 2.7 In respect of Leeds City Council initial use of the framework consisted of 6 completed projects, including Farnley Hall Refurbishment, Middleton Park Visitor Centre and Woodhouse Lane Multi Storey Car Park, with a tendered value of £7.95m.
- 2.8 Use of the framework by Leeds has increased since 2013 following the development and promotion of YORbuild by PPPU. A further 11 projects with an estimated value of £43m have been procured through the framework but have yet to be completed. These have included Adel Beck, Morley Newlands Primary and Assistive Technology Hub. The tendered value of these projects is £37.6m.

### **Benefits of framework use**

- 2.9 The use of YORbuild has provided the following benefits;
- 2.9.1 Provides a procurement service to local authorities for construction services
- 2.9.2 It supports cost and process efficiencies
- 2.9.3 It supports improved time, cost and quality certainty through collaborative processes and form of contract.
- 2.9.4 Acting as a platform for :
- Small, Medium Enterprise (SME) engagement,
  - local training and employment programmes and
  - sustainability initiatives (waste recycling)
- 2.10 Each project has the employment and skills outputs assessed relative to its particular circumstances, implemented by an employment and skills output plan contractually embedded into each framework in order to create a supply chain for skills and provide local opportunities for training and apprenticeships. The YORfuture Shared Apprenticeship Scheme formed in 2013 is an innovative collaboration between CITB and regional partners, established in response to industry demand, to provide construction contractors with a solution to meeting their training obligations and to maximise opportunities for apprentices. Future works Yorkshire, a Community Interest Company, has been formed specially to manage YORfuture on behalf of CITB, YORhub frameworks and contractors and consultants in the region. By example it would be reasonable to expect nine person weeks of work experience for a project up to £100,000 in value and 13 person weeks of apprentice work, this would rise to 95 and 240 respectively for a project in excess of £10m. A wide range of opportunities, including school visits, work experience for 16-19 year olds, progression into employment and apprenticeships is available to deploy on all contracts.
- 2.11 The commitment to create employment and training opportunities through the framework have generated the following outputs across Yorkshire and Humber;
- 464 NVQ's gained by existing staff

- 10,988 school/college student site visits and workshops
- 5641 apprenticeship weeks created
- 498 work experience placements
- 613 new employees

2.12 The 6 completed Leeds City Council projects have supported 3 research projects, 4 weeks work experience, 146 attendees to workshops and one apprentice. Collectively projects procured from the framework in West Yorkshire have generated 152 weeks of apprentice experience, 29 new apprentices and 45 people have found work through them.

The volumes that can be processed through a framework enables clients to maximise objectives such as those listed above, which would be far more difficult with the traditional project by project approach resulting in savings of at least 6 weeks for call offs which have a value in excess of the EU threshold and using the current Restricted Procedure

2.13 Evidence from the Local Government Task Force, Transforming Local Government Construction, and National Improvement and Efficiency Partnership is that frameworks can achieve procurement time and cost savings together with savings in outturn cost and time, whilst achieving increased service quality and client satisfaction.

2.14 This is supported by the Office of Government Commerce (OGC) in their 'Achieving Excellence in Construction' documents in which they identify that some of the savings come from the following:

- Speed of procurement
- Learning transferred from one project to another
- Sustained workflow
- Improved working relationships

2.15 SCEP enables supply chain engagement between the tier 1 and the lower tiers in the vicinity of a project and has been an integral part of YORhub from its outset and is at its most visible on large projects where specific meet the buyer events are organised by the YORhub framework management teams

2.16 Sustainability via the Waste and Resources Action Programme (WRAP) which involves a waste coordinator across the frameworks has consistently beaten its target in 2012/13 to keep construction waste to land fill under two tonnes per £100k by achieving over 97.5% of waste from 412 projects being diverted from land fill with only 1.55 tonnes per £100k going to landfill

2.17 The frameworks also support the 4 Good Fund which provides grants of up to £5,000 to community groups to support local regeneration projects across the Yorkshire and Humber Region

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### **3 Main issues**

3.18 The 2014/15 programme of works to be procured through the YORbuild West region is £139.9 million including Leeds City Council Capital works of £39 million.

3.19 It is intended to use the YORbuild framework in the future for the capital programmes for the Primary Basic Needs programme and the Housing Growth New Build programmes of £98.4 million and £50 million pounds respectively.

3.20 The framework to be procured is in compliance with Public Contract Regulations, with a minimum time allowances for selecting contractors and preparation by them of tenders.

3.21 During the summer of 2014 thorough consultation with current and potential framework users (including LCC officers from Client Services and PPPU Category Management and Commercial teams) and current and potential contractors took place through face to face surveys and a series of workshop events. The workshops were attended by a total of 80 clients and 120 contractors.

3.22 The key areas of improvement identified from the consultation activities were;

- A reduction from 6 to 5 lots but with wider value range in the lower value lots ( £0-250k, £250k-£1m, £1m-£4m, £4m-£10m, over £10m)
- An increase in numbers of contractors in the 3 lots covering projects in excess of £1m from 6 to 9
- The creation of 2 dedicated social housing building lots
- The possibility of utilising additional forms of contract e.g. JCT
- Use of the BSI's PAS91:2013 Construction Pre-Qualification Questionnaire
- The framework management services to be supplemented by the inclusion of Building Information Modelling (BIM) advice to meet emerging government requirements.
- Continued initiatives to monitor use of local supply chains and waste reduction

3.23 A project team consisting of the Framework Programme Manager and the four regional Framework Managers, led by the Joint Chair of Operations (East Area), has commenced work on establishing the procurement process and associated documentation encompassing the key findings of the consultation. The intention is to commence the procurement process by the issue of an OJEU Contract Notice in October 2014.

- 3.24 The procurement process will be conducted using the Restricted Procedure, whereby contractors will undergo a pre-qualification process, with only those passing satisfactorily being invited to tender.
- 3.25 Tenders will be evaluated on Price (Overheads and Profit/people and equipment rates) and Quality, in equal proportion. The key dates of the procurement programme are shown below.
- |        |                               |                 |
|--------|-------------------------------|-----------------|
| 3.25.5 | OJEU issued                   | October 2014    |
| 3.25.6 | Invitation to Tender Issued   | March 2015      |
| 3.25.7 | Award framework and mobilise. | September 2015. |
| 3.25.8 | New framework in operation    | December 2015   |
- 3.26 Framework management is addressing the overheating within the current construction market and the lack of sufficient competitive tendering for some contracts, however this is an industry wide problem and not just limited to the current YORbuild framework arrangements. Currently processes are being put in place to ensure competitive involvement within the current YORbuild framework and how this can be incentivised for the re-procured framework.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.9 Comprehensive consultation has taken place throughout 2014 through local and regional workshops with current and potential framework users and contractors. Leeds City Council Officers from Client Services, PPPU category Management and commercial teams have also been consulted.
- 4.1.10 As a Key Decision (under Contracts Procedure Rule 3.1.8) The Chief Officer Procurement has consulted with executive member for Neighbourhoods Planning and Personnel the Director of City Development and the Director of Strategy and Resources.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 There are no direct Equality and Diversity/Cohesion implications relevant to the procurement of the YORbuild Framework and these issues will be taken into account and addressed in the preparation of each individual capital project prior to its procurement through the framework.

### **4.3 Council policies and City Priorities**

- 4.3.1 Consistent framework throughputs provide opportunities for the development of local supply chain issues which are managed through the YORbuild Supply Chain Involvement Programme.
- 4.3.2 Each contract let has employment and skills outputs assessed relative to its circumstances, with support from an Employment and Skills Manager

provided through the Framework fees, providing a range of opportunities including school visits, work experience, apprenticeships and progression to employment.

- 4.3.3 Integration of these initiatives has been well established within the current framework processes, procedures and charges, including those of the contractors.
- 4.3.4 Benefits realised from the use YORbuild support the following City Priorities
  - Children and Young Peoples Plan
  - Health and Wellbeing City Priority Plan
  - Sustainable Economy and Culture City Priority Plan;
  - Regeneration City Priority Plan

#### **4.4 Resources and value for money**

- 4.4.1 Procuring a contract through YORbuild attracts a framework management fee, the fee is based on a sliding scale dependent on the construction value for the contract and an as an average is around £750 per £1m of construction cost, it is considered that these fees can be offset against the benefits achieved by using the framework.
- 4.4.2 The re-procurement will require a physical resource from Leeds of around to 115 hours for 2014 and 260 hour in 2015 to conclude the procurement process. This work will be carried out in support of a regional project team lead by colleagues from the East Riding of Yorkshire. The project business plan identifies that the procurement costs will be recouped from the surpluses achieved from the YORhub accounts in 2014 and 2015, however this will be subject to the expected demand for the framework(s) being achieved. The current costs to be recovered from YORhub in respect of the re-procurement by PPPU are £19,500.00 over the 2014/15 and 2015/16 financial years against PPPU actual costs of £22,500.00. The overall cost of the whole re- procurement is estimated to be in the region of £250,000.00.
- 4.4.3 The original framework was procured with funding provided from REIP and alternative support funding is currently being sought through regional LEP's, however there is a risk that any shortfall in the funding for the re-procurement will be required to be accounted for by the contracting authorities.

#### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.4 Legal reviews of all key documents will be carried by Leeds City Council prior to issue to reduce the risk of challenge.

- 4.5.5 Approval of the DDN is required by the 14th October 2014 to allow 5 days for call in to enable OJEU notices to be issued (subject to call-in) on the 21st October 2014.

## **4.6 Risk Management**

- 4.6.1 A risk register has been established by the regional project team and will be reviewed and managed throughout the procurement.

## **5 Conclusions**

- 5.1 The continued use and management of a YORbuild framework presents an opportunity for Leeds to benefit from:
- Savings in time and cost on its construction projects
  - Inclusion of local supply chains
  - Creation of training and job opportunities on all projects irrespective of size
- 5.2 Evidence in operation of the current YORbuild framework is that all of those benefits are being achieved, and with further throughput can be improved upon for the benefit of Leeds City Council.

## **6 Recommendations**

- 6.1 Approve the participation of Leeds City Council in the re-procurement of a second YORbuild regional construction framework to be established from December 2015.
- 6.2 Approve the participation of Leeds City Council as a Contracting Authority.
- 6.3 Approve the participation of Leeds City Council as the lead contracting authority for the West Yorkshire Region of the framework.
- 6.4 Endorse the use of the re-procured YORbuild as an Approved framework for the purposes of CPR's.