

Report of: Property and Contracts Chief Officer

Report to: Director of Environment and Housing

Date: 10/06/2016

Subject: To Deliver Demolition Services: Authority to Procure

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. Leeds Building Services (LBS) currently have an agreement in place to deliver Demolition Services. This agreement, initially put in place for Property Maintenance, commenced from 16th December 2012 and expires on 15th December 2016 with no further options for extension available. This report seeks approval for the proposed procurement route, including the scope of service to deliver demolition services.
2. This procurement exercise will look to establish a framework agreement to deliver demolition services. The framework to be procured will be structured as a multi provider framework by which works will be allocated through a mini competition process. This is to ensure that services can be sourced in accordance with the needs to the Council's Internal Service Provider (ISP), Leeds Building Services, and associated clients.
3. The new contract is required from 16th December 2016, and will be for an initial period of 2 years with a further 2 x 12 month extensions available.
4. The anticipated annual value of this framework agreement is £2,000,000. The estimated contract value exceeds the Official Journal of European Union (OJEU) threshold and must therefore comply with OJEU timescales and advertisement regulations.
5. A review of the available procurement options has been undertaken with officers from PPPU compliant with Contract Procedure Rule 3. This report identifies the preferred option to deliver the service.

Recommendations

The Director of Environment and Housing is recommended to:

1. Grant the authority to procure a framework agreement to deliver demolition services with an anticipated annual value £2,000,000 per annum. The total value of the agreement, inclusive of extensions, will be approximately £8,000,000.
2. To approve the proposed procurement route and model.

1. Purpose of this report

- 1.1. To inform the Director of Environment and Housing of the procurement options available and seek approval to put in place a new contract to deliver demolition services in line with Contract Procedure Rule 3.1.8.

2. Background information

- 2.1. This procurement will replace the current agreement. It will also allow Leeds Building Services (LBS) to continue delivering demolition services to Council departments as an Internal Service Provider (ISP).
- 2.2. This will ensure Council departments are able to approach LBS in line with Contract Procedure Rule 3.1.4, and will support the ISP to meet the varied needs of its client groups, contributing to best value being achieved for the authority.
- 2.3. This process is being run alongside a schedule of procurements taking place to support LBS and its sub-contracting requirements. These will ultimately support LBS and an ISP meeting the needs of the Council.

3. Main issues

- 3.1. In November 2015 a project group was set up to undertake the procurement. The group consists of representatives from Leeds Building Services, Leeds Housing Property and Contracts and the Programmes, Projects and Procurements Unit (PPPU). By the end of January 2016 a scope of work was developed with a project timetable.
- 3.2. This project has been registered on the Councils project management software: PM Lite, and has been assessed as a mid-scale project (ref:CW653387).
- 3.3. This procurement is looking to procure a new framework for demolition works. This framework will deliver demolition works citywide where a need is identified.
- 3.4. Leeds Building Services' Demolition Unit is Leeds City Council's (LCC's) 'In-house Service Provider (ISP) for demolition type services. The Demolition Unit provide this service to other LCC departments such as Corporate Property Management who look after all LCC's public buildings, Children's Services who manage school buildings and Environment and Neighbourhoods who manage Leeds City Council housing stock. Therefore this means demolition contractors applying for this contract will need to have expertise and experience of demolishing all types of buildings including residential, public and commercial buildings.
- 3.5. A lessons learnt workshop has been held, which identified that the key benefits to be achieved from this procurement will be:
 - To ensure the scope of opportunity is clear, to avoid any confusion with tenderers – this will be achieved through ensuring that contract documentation is clear and jargon-free where possible
 - Provision for emergency planning needs to be reviewed and included within the opportunity – this will be achieved through declarations at tender stage, as well as ensuring that the market are aware that this is forms part of the opportunity and scoping the availability/appetite to provide this
 - To develop and maintain relationships with new providers- this can be achieved through effective market engagement, starting with market

sounding, through to bidder events during the tender process and ensuring that documentation/correspondence with providers is clear and jargon-free. Another important element of this is that care is taken to ensure that the mechanics of the framework and how it is advertised is based on how the agreement will be managed when in place so that there is consistency from LCC in how it deals with external suppliers.

- 3.6. Consideration will be given to whether Employment & Skills targets can be applied to this contract. However, it is worth noting that the nature of frameworks often limits this, as there is no guarantee to the level of work they will be providing.
- 3.7. A Key Performance Indicator (KPI) workshop has been held and the following KPI's were identified, these will be reviewed and monitored by the Contract Manager on a monthly basis and form part of the Contract Management Plan. It will be the responsibility of the contractor to provide a monthly statement of management information which will include:
- Quoted against final cost;
 - Time taken to complete against target;
 - Average completed time per contractor against value, i.e. demolition's 0 – 5k = 15 days average, 5 – 10k = 25 days etc
- 3.8. The Contract Manager will be responsible for developing and managing:
- KPI monitoring and reporting processes
 - Annual reviews
 - Contract Management Plan
 - Exit Plan
- 3.9. In order to deliver the procurement effectively, the project team including representatives from Leeds Building Services, PPPU and Property & Contracts, has been established. Property & Contracts representatives will be responsible for co-ordinating the project team and procurement delivery.
- 3.10. In discussion with Procurement Officers within the Projects, Programmes and Procurement Unit (PPPU) the following procurement options have been considered in line with Contract Procedure Rule 3.1;

Procurement Options:

Do nothing – This option was discounted as there are no extension options available on the current agreement. If no action was taken one of two unacceptable outcomes would take place, either the service would be unable to carry out its required function, or the non/off contract spend would be in breach of EU Public Procurement Directives and UK legislation, Public Contract Regulations.

External Frameworks – research was carried out to see if there were any external framework providers who had an agreement which the Council could use for this need. The external framework providers which were looked at included, Efficiency North, Fusion 21, Crown Commercial Services, ESPO, YPO and Procurement for Housing. At the point in time, none of these had a suitable framework agreement which could be used for this requirement.

Procure LCC framework (recommended) – this allows the Council to specify its requirements to the market in order to source the best available solution. Control retained to ensure that the solution procured provides the best fit, and provides best value to the Council and its residents. Best value will be sought through the competitive tender process, as well as ensuring that the model of delivery is tailor-made to suit LBS's requirements.

- 3.11. The procurement approach will be OJEU Compliant open framework, and there will be multiple providers appointed to the framework.
- 3.12. A detailed project plan has been produced for the procurement.

A high level timetable is provided below:

Develop Scope	January 2016
Market Sounding	February 2016
Approval to commence Procurement: Delegated Decision Report	June 2016
Pre-Qualification Questionnaire (PQQ) and Tender Issue	June/July 2016
Tender Return	August 2016
Contract Award	October 2016
Contract Commencement	16 December 2016

4. Corporate Considerations

- 4.1. **Consultation and Engagement** There has been detailed internal consultation in developing this procurement strategy. This has focussed within three key teams: Leeds Building Service, Housing Leeds Property and Contracts and Programmes, Projects and Procurement Unit who are all represented on the project group.
- 4.1.2. In addition, a market testing exercise was issued via the YORtender portal on 4th March 2016 and closed on 25th March 2016. The opportunity to participate in this exercise was sent out to all of the existing contractors, as well as being openly advertised on the system so any appropriate contractor could respond.
- 4.1.3. Eleven contractors responded to the market sounding exercise and the feedback received showed:
 - The majority of these contractors had experience of working with the public sector.
 - There was a range of suggestions for how work could be allocated, ranging from submitted schedule of rates to mini-competition, with a majority supporting a mini-competition.
 - There was not a clear preference between NEC3 and JCT in terms of the form of contract.
 - A number of contractors were members of 'National Federation of Demolition Contractors'

- The submissions received demonstrated a solid commercial understanding and experience of KPIs – which can be used to ensure solid contract management

4.2. Equality and Diversity / Cohesion and Integration

- 4.2.1. The Equality, Diversity, Cohesion and Integration Screening document has been considered and completed. No adverse or otherwise impacts have been identified.
- 4.2.2. It is paramount that procurement within Leeds City Council is undertaken with a view to ensure openness, transparency and fairness and procured in line with Leeds City Council's Contract Procedure Rules.
- 4.2.3. This contract will contribute to the Council's priorities by working towards becoming a more efficient and enterprising Council, and working as a team for Leeds.

4.3. Resources and value for money

- 4.3.1. The procurement will be carried out in an open and transparent manner in line with Public Contract Regulations and EU Public Procurement Directives whilst ensuring competition is sought to identify best value when initially establishing the framework, as well as throughout the framework term.
- 4.3.2. The structure of the contract will consider the best way to select contractors to ensure LBS can deliver the services to their clients effectively.
- 4.3.3. The project will be contract managed by Leeds Building Services within the Property and Contracts division of Housing Leeds. A contract management plan is under development for these works as is required by Contract Procedure Rule 3.1.16.

4.4. Legal Implications, Access to Information and Call In

- 4.4.1. It is proposed that PPPU's Commercial Team undertake due diligence of the contract documents prior to tender out.
- 4.4.2. The Chief Officer for Property and Contracts, Head of Housing Contracts and PPPU officers have been consulted during the procurement process.
- 4.4.3. This is a Key Decision and will be subject to call in. This was listed on the Forthcoming Decisions in January 2016 stating a decision will not be made before 15th February 2016.

4.5. Risk Management

- 4.5.1. A risk register will be developed as part of the contract. This will highlight all risks and register how contract risks will be managed. The risk register will also form part of the scheme's Contract Management Plan.
- 4.5.2. The risks identified with this procurement are:
 - Insufficient Tenders – this will be managed through use of the YORtender portal, OJEU advertising/Contracts Finder as well as market engagement through the tender process (i.e. meet the buyer events)

- Uncompetitive pricing – this will be managed through the competitive tender process and the on-going competition that the successful contractors will be subjected to through the call of procedure during the life of the contract.
- Failure of minimum threshold for quality – this will be managed through detailed instructions to the market as well as ensuring that thresholds are proportionate and achievable.
- Poor Contract Management – this will be managed through the use of a proportionate contract management plan and ensuring its use.
- Challenge – this will be mitigated through following best procurement practice, ensuring fairness and transparency, and consultation with PPPU Commercial team to ensure robustness.
- Reputation – this will be mitigated through market engagement, clear documentation/instructions and effective contract management which will diminish the risk of reputational damage.
- Risk to LBS if contract not in place – this will be mitigated through the clearly structured timeline to support service deliver and ownership of the project group and associated officers to ensure that this is adhered to.

5. Conclusions

- 5.1. There is a requirement to procure a new contract to deliver demolition services.
- 5.2. The procurement will be supported by a clearly defined specification, stock data and robust arrangements for contract management.

6. Recommendations

- 6.1. The Director of Environment and Housing is requested to approve the procurement of a new contract to deliver demolition services.

7. Background documents¹

- 7.1. N/A

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.