

CABINET

8 MARCH 2011

GATEWAY 1 OPTIONS APPRAISAL: SCHOOL CONDITION PROGRAMME 2011-2012 BOILER & ROOFING WORKS

Portfolio Holder: Councillor Les Wicks, Children's Services

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Summary

This report seeks permission to commence the procurement of boiler works and roofing works at a number of Medway schools.

The Condition programme only includes those schools that are LA funded schools. Therefore this excludes Academies, which are separately funded by the DfE.

The whole Condition programme elements are based on data extracted from the regular Condition surveys of schools. Works are targeted at the worst affected schools and are prioritised (in line with the DfE prescribed Condition formula scoring).

This Gateway 1 report has been approved for submission to Cabinet after consideration by Children and Adults Directorate Management Team on 7 February 2011 and following consideration at the Strategic Procurement Board on 16 February 2011.

The Children and Adults Directorate Management Team and Strategic Procurement Board have recommended that this procurement project be approved as a Category B High Risk procurement project at Procurement Gateway 1 by Cabinet. This is because although this procurement project is Works Category B Medium Risk procurement with a total contract value above £250,000.00, a new project appraisals process was agreed by Cabinet on 28 September 2010 (decision number: 142/2010) that all Children's Services Capital projects for schools over £500,000 would be considered by Cabinet.

1. Budget and Policy Framework

1.1 Service Background Information

1.1.1 The Condition Programme is part of the overall annual Capital Programme 2011-12, agreed by Full Council on 24 February 2011, which focuses on major maintenance works for schools for roofing and

boilers for schools along with other works to cover statutory items such as electrical works, asbestos surveys and health and safety.

- 1.1.2 The objective of the Condition Programme is to ensure schools are watertight and have heat and water supplies. These basic elements are needed to ensure schools can remain operational.

1.2 Council's Strategic Priorities And Core Values

The procurement of this requirement directly links into the following Council Strategic Priorities and Core Values:

Core Values

- Putting our customers at the centre of everything we do.

This procurement requirement will deliver against the Core Value of 'Putting our customers at the centre of everything we do' through ensuring the schools will remain operational throughout the winter months and there should be no further closures due to plant failure.

- Giving value for money

This procurement requirement will deliver against the Core Value of 'Giving value for money' through providing a more energy efficient plant and result in a reduction in the schools energy bills. The schools will remain operational throughout the winter months and there should be no further closures due to plant failure.

Strategic Priorities

- A clean and green environment.

This procurement requirement will deliver against the Strategic Priority of 'A clean and green environment' through replacement of an old energy inefficient system with a modern and more sustainable system, which is more energy efficient.

- Putting our customers at the centre of everything we do.

This procurement requirement will deliver against the Core Value of 'Putting our customers at the centre of everything we do' through ensuring the schools will remain operational throughout the winter months and there should be no further closures due to leaking roofs or failed heating systems.

- Children and young people having the best start in life.

This procurement requirement will deliver against the Strategic Priority of 'Children and Young People having the best start in life' through ensuring the schools remain open and avoiding closures which could impact on the students education.

1.3 Strategic Council Obligations

The procurement of this requirement directly links into the following Strategic Council Obligations:

- **Council Plan**

This procurement requirement links into the Council Plan through delivering investment in the school buildings and fulfilling the Council's aim of giving children and young people the best possible start in life by succeeding in learning.

- **Other Strategic Council Obligations**

Ensuring school buildings provide a safe learning environment is vital in enabling children and young people have the best start in life. School buildings without adequate roofs or boilers mean learning and progress may be affected.

1.4 Departmental and Directorate Service Plans

1.4.1 This procurement requirement links into the Children and Young People's Plan and the school organisation service plan by supporting the aim to provide sustainable buildings and minimising running costs for buildings.

2. Background

2.1 Project Details

2.1.1 This procurement is a works/construction procurement requirement.

2.1.2 This report seeks permission to commence a new procurement project with a proposed contract duration of 1 year. The contract is proposed to commence on 18 July 2011 and expected to conclude on 31 March 2012.

2.1.3 The total value of this new procurement contract is set out in the exempt appendix.

2.1.4 This procurement requirement is a standalone project with no linkage to any other procurement projects or procurement programmes.

2.1.5 This procurement requirement is required to fulfil Medway's statutory obligations. These statutory obligations are to ensure our schools remain open and operational, complying with health and safety legislation and accessibility requirements. The project team will look at whether the contract can be linked to the existing housing maintenance contracts by comparing rates in the tenders received for this work with the rates that have been negotiated by the Council for housing works. The results of this analysis will be presented when Cabinet considers the Gateway 3 report.

2.2 Business Case

2.2.1 Procurement Project Outputs / Outcomes

As part of the successful delivery of this procurement requirement, the following procurement project outputs / outcomes within the table below have been identified as key and will be monitored as part of the procurement project delivery process.

Outputs / Outcomes	How will success be measured?	Who will measure success of outputs/ outcomes	When will success be measured?
1. Appointing a contractor for the boiler works that can work and deliver within the timescales required	Successful procurement of boiler & roofing works within the timescales which will be measured through the tender process	School Organisation team. Building & Design Services. The individual schools within the programme.	Monitored throughout the programme by monthly site visits and contractor reports.
2. Appointing a contractor for the boiler works that is able to work within the constraints of a school environment	Successful procurement of boiler & roofing works within the specifications contained within the tender process	School Organisation team. Building & Design Services. The individual schools within the programme.	Monitored throughout the programme by monthly site visits and contractor reports.

2.2.2 Procurement Project Management

The Building & Design Services (BDS) Team will carry out the procurement of this project, funded through the Service Level Agreement (SLA) school organisation has with BDS.

2.2.3 Post Procurement Contract Management

The contract management of this procurement project post award will be resourced through the following contract management strategy – by BDS who will monitor the contract in line with the specification and contract documentation through our SLA with them.

2.2.4 Other Issues

There are no other issues that could potentially impact both the procurement process and overall strategic aims as identified within Section 1 Budgetary and Policy Framework.

2.2.5 TUPE Issues

Further to guidance from Legal Services, Human Resources and the Strategic Procurement Team, it has been identified that TUPE does not

apply to this procurement process. These works will be undertaken by outside contractors and will not impact on existing staffing.

3. Options

In arriving at the preferred option as identified within Section 4.1 'Preferred Option', the following options have been considered with their respective advantages and disadvantages.

3.1 Do nothing

The option of doing nothing is not a viable option because – Funding is provided specifically to invest in improving the condition of schools. A lack of investment will result in a deterioration of school buildings. Schools buildings will not be energy efficient and may result in school closures due to a lack of hot water and heating.

3.2 In-house service provision

The option of providing this requirement through in-house service provision has been considered but is not a viable option because Medway Council does not currently employ in-house contractors for these works.

3.3 Using another local authority to deliver procurement requirements

The option of using another local authority to deliver procurement requirements has been considered and the advantages and disadvantages of this option are shown below:

Advantages

- Wider range of contractors availability

Disadvantages

- School Organisation team have local knowledge of our schools and requirements
- BDS have the technical knowledge of our school sites
- BDS have managed the condition programme successfully for many years and have the skills to manage the process
- Using an outside LA may delay the process
- Loss of income to BDS.

3.4 Procurement via an EU compliant framework

The option of using an EU compliant framework to deliver procurement requirements has been considered and the following frameworks have been identified from which Medway Council's procurement requirements can be satisfied.

List frameworks and framework provider details:

- Kent County Council select list

Below are the advantages and disadvantages of this option:

Advantages

- Reduces procurement time

- Contractors are already checked for financial viability, quality and service
- BDS have already paid to utilise this service

Disadvantages

- External fees paid to utilise the framework

3.5 Formal tender process in line with EU Procurement Regulations.

The option of formally tendering this procurement requirement in line with EU Procurement Regulations has been considered but this is not a viable option because the value of the requirement is below the EU Procurement Threshold for Works of £3,927,260.00.

3.6 Internal Medway Council Collaboration between departments

The option of procuring requirements through internal collaboration between Medway Council departments in order to exploit economies of scale and synergies has been considered but no such opportunities exist.

3.7 External public sector collaboration (e.g. other Councils, Fire Service, PCT, Police)

The option of procuring requirements through external collaboration between Medway Council and other external public sector organisations in order to exploit economies of scale and synergies has been considered but no such opportunities exist.

3.8 Private sector collaboration e.g. Private Public Partnering/Private Finance Initiatives

The option of procuring requirements through private sector collaboration between Medway Council and other external private sector organisations has been considered but no such opportunities exist.

3.9 Other alternative options

No alternative options have been identified.

4. Advice and analysis

4.1 Preferred option

Further to an extensive review of procurement options as highlighted within Section 3 'Options' above, the following preferred option is recommended to the Cabinet including justification for this recommendation - the preferred option is set out in paragraph 3.4.

Advantages

- Market driven pricing for building works is a feature and the procurement will provide competitive tenders.

- Sustainable systems will be installed providing the schools with more energy efficient systems and thereby reducing running costs.
- Health & Safety Risks transferred to contractor

The contractor and not the school carries the risk should the relevant health & safety legislation be breached, any prosecution would be of the contractor and not the school.

Disadvantages.

- None

5. Risk Management

5.1 Risk Categorisation

The following risk categories have been identified as having a linkage to this procurement project:

Procurement process	<input type="checkbox"/>	Equalities	<input type="checkbox"/>
Contractual delivery	<input checked="" type="checkbox"/>	Sustainability / Environmental	<input type="checkbox"/>
Service delivery	<input checked="" type="checkbox"/>	Legal	<input type="checkbox"/>
Reputation / political	<input type="checkbox"/>	Financial	<input checked="" type="checkbox"/>
Health & Safety	<input checked="" type="checkbox"/>	Other	<input type="checkbox"/>

For each of the risks identified above, further information has been provided below:

Risk Categories	Outline Description	Risk Impact A=Very High B=High C=Significant D=Low E=Very Low F=Almost Impossible	Risk Likelihood I=Catastrophic II=Critical III=Marginal IV=negligible Impact	Plans To Mitigate Risk
a) Contractual delivery	Failure of contractor to deliver contractual arrangements	B	3	Inclusion of Contract monitoring procedures within the contract documents. Default clauses are part of the contract documentation.

b) Service delivery	Lack of specified performance	C	3	A detailed specification with key milestones and performance indicators.
c) Health & Safety	Risk of an accident on-site	C	3	Robust H&S procedures to be established by the contractor and monitored by BDS.
d) Financial	Possibility of unforeseen costs identified	D	3	Detailed investigative work prior to the tendering of works undertaken to highlight any issues.

6. Consultation

6.1 Internal (Medway) Stakeholder Consultation

6.1.1 Before commencement of the procurement process in order to direct the specification

As part of this procurement project, the following internal stakeholder consultation was required before the commencement of the procurement project in order to direct the specification – the School Capital Group were consulted on the proposed elements of the 2011/12 Condition programme.

6.1.2 During the procurement process in order to aid the evaluation process

As part of this procurement project, the following internal stakeholder consultation is required during the procurement process in order to aid the evaluation process the School Capital Group will be kept advised on progress.

6.1.3 Post procurement/tender award in order to aid the contract management process

As part of this procurement project, the following internal stakeholder consultation is required post procurement/tender award in order to aid the contract management process the School Capital Group will be kept advised on progress.

6.2 External Stakeholder Consultation

6.2.1 Before commencement of the procurement process in order to direct the specification

No external stakeholder consultation is required before the commencement of the procurement project in order to direct the specification. Consultation with schools is undertaken so that they are involved in the methodology for prioritising works, which is based on detailed condition surveys of all Medway schools.

6.2.2 During the procurement process in order to aid the evaluation process

No external stakeholder consultation is required during the procurement process in order to aid the evaluation process.

6.2.3 Post procurement/tender award in order to aid the contract management process

External stakeholder consultation is required post procurement/tender award in order to aid the contract management process by liaising with the schools involved in the condition works projects to keep them informed of progress. Financial and monitoring and quality control will also involve external stakeholders including the contractor, in order to manage risk, change control and progress.

7. Strategic Procurement Board

7.1 The Strategic Procurement Board considered this report on 16 February 2011 and proposed that Cabinet agree to the recommendations in section 9 below.

8. Financial, legal and procurement implications

8.1 Financial Implications

8.1.1 Detailed finance and whole-life costing information is contained within Section 2.1 (Finance and Whole-Life Costing) of the Exempt Appendix.

8.2 Legal Implications

8.2.1 This procurement requirement and its associated delivery as per the preferred option highlighted at Section 4.1 'Preferred Option' and the recommendations at Section 8, has the following legal implications which the Strategic Procurement Board must consider.

8.2.2 As stated at Option 4 the client has opted to use the EU Compliant Framework Agreement via Kent County Council for these works. It should be noted that the client department would need to follow the Terms and Conditions attached to the framework to appoint a contractor accordingly, and liaise with Legal Services and The Strategic Procurement Team for guidance on the use of the Framework at Gateway 2.

8.3 Procurement Implications

8.3.1 This procurement requirement and its associated delivery as per the preferred option highlighted at Section 4.1 'Preferred Option' and the recommendations at Section 8, has the following procurement implications which the Strategic Procurement Board must consider.

8.3.2 The use of the Kent County Council Select List is supported by Strategic Procurement as a compliant and robust methodology for delivering requirements as per this report. The client department must ensure that the procurement process is administered in adherence with the Kent County Council Select List protocols, Medway's Contract Procedure Rules and on the basis of aggregation to ensure both synergies and economies of scale are achieved.

9. Recommendation

9.1 Cabinet is requested to approve that this project proceeds to Gateway 2 procurement stage, as part of the 2011/2012 Condition Programme, via the invitation to quote route, as set out in paragraph 3.4 of the report. Building & Design Services will package the projects into 3 or 4 projects per package and tender via the select list.

10. Suggested reasons for decision(s)

10.1 The recommendations contained within Section 9 above are provided on the basis of that a lack of investment will result in a deterioration of school buildings. School buildings will not be energy efficient and may result in school closures due to a lack of hot water and heating or leaking roofs.

Lead officer contact

Name Title
Department Directorate
Extension Email

Background papers

The following documents have been relied upon in the preparation of this report:

Description of document	Location	Date
Condition survey information database	School Organisation	2007, updated 2010
Children Services Capital Group - Minutes	School Organisation	7 Jan 2011