

<b>Committee/Meeting:</b> CABINET	<b>Date:</b> 31 JULY 2013	<b>Classification:</b> Unrestricted	<b>Report No:</b> CAB 018/134
<b>Report of:</b>  <b>Corporate Director: Chris Holme</b>  <b>Originating officer(s)</b> Zamil Ahmed – Senior Procurement Manager Resources Ext 4385		<b>Title:</b>  Quarter 2a - Contracts Forward Plan  <b>Wards Affected: All</b>	

<b>Lead Member</b>	Cllr Alibor Choudhury
<b>Community Plan Theme</b>	One Tower Hamlets
<b>Strategic Priority</b>	All

1. **SUMMARY**

- 1.1 The Council's Procurement Procedures require a quarterly report to be submitted to Cabinet, laying down a forward plan of supply and service contracts over £250,000 in value, or capital works contracts over £5 million. This provides Cabinet with the visibility of all high value contracting activity, and the opportunity to request further information regarding any of the contracts identified. This report provides the information in period Q2 of the Financial Year.
- 1.2 Only contracts which have not previously been reported are included in this report.

2. **DECISION REQUIRED:**

**Cabinet is recommended to:-**

1. Consider the contract summary at Appendix 1, and identify those contracts about which specific reports – relating to contract award – should be brought before Cabinet prior to contract award by the appropriate Corporate Director for the service area and
2. Confirm which of the remaining contracts set out in Appendix1 can proceed to contract award after tender subject to the relevant Corporate Director who

holds the budget for the service area consulting with the Mayor and the relevant lead member prior to contract award

3. Authorise the Assistant Chief Executive (Legal Services) to execute all necessary contract documents in respect of the awards of contracts referred to at recommendation 2 above.

### 3. **REASONS FOR THE DECISIONS**

- 3.1 The Council's Procurement Procedures require submission of a quarterly forward plan of contracts for Cabinet consideration, and it is a requirement of the Constitution that "The contracting strategy and/or award of any contract for goods or services with an estimated value exceeding £250,000, and any contract for capital works with an estimated value exceeding £5,000,000, shall be approved by the Cabinet in accordance with the Procurement Procedures". This report fulfils these requirements for contracts to be let during and after the period Q2 of the Financial Year.

### 4. **ALTERNATIVE OPTIONS**

- 4.1 Bringing a consolidated report on contracting activity is considered the most efficient way of meeting the requirement in the Constitution, whilst providing full visibility of contracting activity; therefore no alternative proposals are being made.

### 5. **BACKGROUND**

- 5.1 This report provides the forward plan for the period Q2 of the Financial Year in Appendix 1, and gives Cabinet Members the opportunity to select contracts about which they would wish to receive further information, through subsequent specific reports.

### 6. **FORWARD PLAN OF CONTRACTS**

- 6.1 Appendix 1 details the new contracts which are planned during the period Q2 of the Financial Year. This plan lists all of the new contracts which have been registered with the Procurement Service, and which are scheduled for action during the reporting period.

Contracts which have previously been reported are not included in this report. Whilst every effort has been made to include all contracts which are likely to arise, it is possible that other, urgent requirements may emerge. Such cases will need to be reported separately to Cabinet as individual contract reports.

- 6.2 Cabinet is asked to review the forward plan of contracts, confirm its agreement to the proposed programme and identify any individual contracts about which separate reports – relating either to contracting strategy or to contract award – will be required before proceeding.

- 6.3 Equalities and diversity implications – and other One Tower Hamlets issues – are addressed through the Council’s Tollgate process which provides an independent assessment of all high value contracts, and ensures that contracting proposals adequately and proportionately address both social considerations and financial ones (such as savings targets). The work of the Competition Board and Corporate Procurement Service ensures a joined-up approach to procurement.
- 6.4 The Tollgate process is a procurement project assurance methodology, which is designed to assist in achieving successful outcomes from the Council’s high value contracting activities (over £250,000 for revenue contracts, and £5,000,000 for capital works contracts which have not gone through the Asset Management Board approval system). All Tollgate reviews are reported to Competition Board, and when appropriate contract owners are interviewed by the Board; contracts require approval of the Board before proceeding.

## **7. COMMENTS OF THE CHIEF FINANCIAL OFFICER**

- 7.1 This report describes the quarterly procurement report of the forward plan for Q2 of the Financial Year and beyond, to be presented to Cabinet for revenue contracts over £250,000 in value and capital contracts over £5 million.
- 7.2 Approximately £57.9m of goods, services and works will be procured from external suppliers. There is one Capital project reported. Procured services comprise around 40% of the Council’s annual expenditure and control of procurement processes is thus crucial to delivering value for money for local residents as well as managing the risks that may arise if procurement procedures go wrong. Consideration of the plan by Cabinet operates as an internal control and also provides the opportunity for the Mayor to comment on specific procurements at an early stage.

## **8. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)**

- 8.1 The Council has adopted financial procedures for the proper administration of its financial affairs pursuant to section 151 of the Local Government Act 1972. These generally require Cabinet approval for expenditure over £250,000. In November 2009, Cabinet approved the procurement procedures, which are designed to help the Council discharge its duty as a best value authority under the Local Government Act 1999 and comply with the requirements of the Public Contract Regulations 2006. The procurement procedures contain the arrangements specified in the report under which Cabinet is presented with forward plans of proposed contracts that exceed the thresholds in paragraph 3.1 of this report. The arrangements are consistent with the proper administration of the Council’s financial affairs.
- 8.2 In accordance with the powers in the Public Services (Social Values) Act 2012, where appropriate, as part of the tender process bidders will be invited to state what community benefits which enhance the economic social

or environmental well-being of the borough are available through the contract in line with the Procurement Policy Imperatives adopted by Cabinet on 9<sup>th</sup> January 2013. The exact nature of those benefits will vary with each contract and will be reported at the contract award stage. All contracts which require staff based in London will require contractors to pay their staff the London Living Wage. Where the staff are based outside London an assessment will be carried out to determine if that is appropriate.

- 8.3 Contracts are recommended for a maximum period of three years except where there are particular circumstances relating to the procurement which warrant a longer period e.g. where equipment or premises needs to be provided by the contractor. Due to the requirement for the contractor to recover their investment in that equipment the cost of a shorter contract would not represent best value to the Council

## **9. ONE TOWER HAMLETS CONSIDERATIONS**

- 9.1 Equalities and diversity implications – and other One Tower Hamlets issues – are addressed through the tollgate process, and all contracting proposals are required to demonstrate that both financial and social considerations are adequately and proportionately addressed. The work of the Competition Board and the Procurement & Corporate Programmes' Service ensures a joined-up approach to procurement.

## **10. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 10.1 Contracts are required to address sustainability issues in their planning, letting and management. Again, this is assured through the Tollgate process, and supported through the Procurement & Corporate Programmes' Corporate Social Responsibility work stream.

## **11. RISK MANAGEMENT IMPLICATIONS**

- 11.1 Risk management is addressed in each individual contracting project, and assessed through the tollgate process.

## **12. CRIME AND DISORDER REDUCTION IMPLICATIONS**

- 12.1 There are no specific crime and disorder reduction implications.

## **13. EFFICIENCY STATEMENT**

- 13.1 Contract owners are required to demonstrate how they will achieve cashable savings and other efficiencies through individual contracting proposals. These are then monitored throughout implementation.

## **14. APPENDICES**

Appendix 1 – new contracts planned: Q2 of the Financial Year and beyond.

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**Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012**

Brief description of “background papers”

Name and telephone number of holder and address where open to inspection.

**None**

**N/A**

**Appendix one – new contracts planned: Q2 of the Financial Year**

Directorate Contract	Contract Value	Scope of Contract	Length of New Contract, or Contract Extension	Funding	Planned Date for Invitation to Tender or * Contract signature.	Category
<p><b>ESCW (AHWB) 4466</b></p>	<p>£738,880 per annum £2,216,649 total</p>	<p><b><u>GP Public Health Services</u></b> Range of additional public health focused services that are commissioned from GPs including smoking cessation, contraception and sexual health and health checks for the 40+ age group.</p> <p>Additional public health focused services that are commissioned from GPs for</p> <ul style="list-style-type: none"> <li>• smoking cessation,</li> <li>• contraception and sexual health and</li> <li>• health checks for the 40+ age group (mandatory service).</li> </ul> <p>Currently three contracts but may be re-procured differently.</p>	<p>36 months</p>	<p>Ring Fenced Public Health Grant*</p>	<p>Contract to commence 1<sup>st</sup> April 2014</p>	<p>Care and Commissioning</p>
<p><b>ESCW (AHWB) 4471</b></p>	<p>£3,182,000 per annum £9,546,000 total</p>	<p><b><u>Carers Respite Breaks Framework Agreement</u></b> The project is to procure a range of residential services in order to provide carers with respite support through emergency, short and longer breaks. Respite services also provide non-residential break services for emergency provision for a few hours when necessary in the home.</p> <p>These range of services are currently provided under the existing contractual arrangements which expire in March 2014. The project is essential to the delivery of the Council's Carers Strategy agreed by the Mayor in Cabinet in 2012.</p>	<p>36 months</p>	<p>Revenue funded</p>	<p>1<sup>st</sup> April 2014</p>	<p>Care and Commissioning</p>

Directorate Contract	Contract Value	Scope of Contract	Length of New Contract, or Contract Extension	Funding	Planned Date for Invitation to Tender or * Contract signature.	Category
<b>D&amp;R (H4451)</b>	£5,100,000 - £7,100,000 total.	<p><b><u>Bancroft &amp; Avebury Estates Energy Efficiency Improvement Project</u></b>  Tower Hamlets Homes, in consultation with residents and stakeholders, developed proposals for a retrofit project to improve the energy performance of 637 homes on the Avebury and Bancroft estates.</p> <p>This project involves the installation of multiple energy efficiency measures to 637 households located in 42 residential blocks. The energy efficiency measures comprise: external wall insulation (599 dwellings), cavity wall insulation (24 dwellings), loft insulation (108 dwellings) and replacement of G-rated boilers with condensing boilers and installation of TRVs.</p> <p>Procurement is to be conducted through the GLA RE:NEW Framework. An EU compliant, energy efficiency improvement specific framework contract.</p>	Call off from GLA Framework  Sept 2013-Feb 2014	Mixture of Grant Funding from DECC and LBTH Capital funding	September 2013	Construction & FM
<b>DR4441</b>	12,000,000 per annum  £39,000,000 total *  * Includes a projected increase of 10% per annum	<p><b><u>Energy Supply Contract</u></b>  This contract is for the re-procurement of gas and electricity across the council estate, including Tower Hamlets Homes; the majority of schools and colleges, plus some housing providers. Currently external clients make up 38% of the total gas and electricity consumption. These clients generate income fees of approximately £160,000 per annum.</p> <p>Energy is a specialist and sometimes volatile market, hence the inclusion of a projected 10% increase in prices over the three years of the new contract. Following the conclusion of an option appraisal conducted via and London Wide Energy Consortia (23 London boroughs), GPS Framework was identified as the best VFM option.</p>	36 months	Revenue funded	Contract to commence on 1 <sup>st</sup> April 2014	Corporate Services