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| <b>Cabinet</b><br>8 January 2014                             | <br><b>TOWER HAMLETS</b> |
| <b>Report of:</b> Chris Holme – Corporate Director Resources | <b>Classification:</b><br>Unrestricted  |
| <b>Quarter 4 Contracts Forward Plan</b>                      |   |

|                               |  |
|-------------------------------|--|
| <b>Lead Member</b>            | <b>Cllr Alibor Choudhury, Cabinet Member Resources</b> |
| <b>Originating Officer(s)</b> | Zamil Ahmed – Senior Procurement Manager               |
| <b>Wards affected</b>         | All wards  |
| <b>Community Plan Theme</b>   | One Tower Hamlets                                      |
| <b>Key Decision</b>           | Yes  |

### **EXECUTIVE SUMMARY**

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 Q4 of the Financial Year.

Only contracts which have not previously been reported are included in this report.

### **DECISION REQUIRED:**

**The Mayor in 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 Head of legal Services to execute all necessary contract documents in respect of the awards of contracts referred to at recommendation 2 above.

## 1. **REASONS FOR THE DECISIONS**

- 1.1 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 Q4 of the Financial Year.

## 2. **ALTERNATIVE OPTIONS**

- 2.1 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.

## 3. **BACKGROUND**

- 3.1 This report provides the forward plan for the period Q4 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.

## 4. **FORWARD PLAN OF CONTRACTS**

- 4.1 Appendix 1 details the new contracts which are planned during the period Q4 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.

- 4.2 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.
- 4.3 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.

- 4.4 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.

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

- 5.1 This report describes the quarterly procurement report of the forward plan for Q4 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.
- 5.2 Approximately £49.5m 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.

## **6. CONCURRENT REPORT OF THE HEAD OF LEGAL SERVICES**

- 6.1 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.
- 6.2 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.

- 6.3 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

## **7. ONE TOWER HAMLETS CONSIDERATIONS**

- 7.1 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 Programme Service ensures a joined-up approach to procurement.

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

- 8.1 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.

## **9. RISK MANAGEMENT IMPLICATIONS**

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

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

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

## **11. EFFICIENCY STATEMENT**

- 11.1 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.

## **13. APPENDICES**

Appendix 1 – new contracts planned: Q4 of the Financial Year and beyond.

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- None.

### **Appendices**

- Appendix 1 – new contracts planned: Q4 of the Financial Year and beyond

### **Background Documents – Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2012**

- None.

### **Officer contact details for documents:**

- N/A

## Appendix one – new contracts planned: Q4 of the Financial Year

| Directorate Contract | Contract Value  | Scope of Contract   | Length of New Contract, or Contract Extension | Funding                                       | Date submitted to Competition Board or scheduled for submission* | Planned Date for Invitation to Tender or * Contract signature. | Community Benefits             |
|----------------------|---|---|---|---|--|--|--------------------------------|
| DR4454               | £6,000,000 per annum<br>£18,000,000 +<br>£6,000,000 total value | <p><b><u>General Building Works and Services</u></b><br/>This is an MTC Contract for the provision of general building works and services. The contract will allow the Council to procure parts, equipment and labour for general building works.</p> <p>This contract will align with the Council's corporate landlord model which seeks to: provide a centralised helpdesk to be developed to monitor works against KPI's and provide a direct interface with soft FM services; centralise surveying resource. Standardised and singular reporting mechanism for clients and end users; Centralised invoicing and payment generation;</p> <p>It is anticipated that this procurement will streamline the current structure which is labour intensive and poses a number of corporate and health and safety compliance issues. It will also allow for planned cyclical and responsive repairs. The contract will be tendered against an agreed schedule of rates, and will incorporate standard terms and conditions as well as Key Performance Indicators and monitoring to ensure value for money and quality of delivery is maintained.</p> | 36 + 12 months                                | Revenue & Capital                             | 20/12/2013   | 06/01/2014   | Included as part of the Tender |
| CLC4666              | £200,000 per annum<br>£600,000 total value                      | <p><b><u>Schools Cycle Training with Interventions to Encourage Cycling to School</u></b><br/>The main outcome of the project is to increase the number of children cycling safely to school. The two discrete outputs of the project are (1) to train selected pupils in schools in Tower Hamlets to achieve certification in the highest level of</p>   | 36 months (12+12+12)                          | £80,000 in LIP<br>Possible additional funding | 11/11/2013   | 11/12/2013   | Included as part of the Tender |

**Appendix one – new contracts planned: Q4 of the Financial Year**

| Directorate Contract | Contract Value | Scope of Contract  | Length of New Contract, or Contract Extension | Funding           | Date submitted to Competition Board or scheduled for submission* | Planned Date for Invitation to Tender or * Contract signature. | Community Benefits             |
|----------------------|----------------|--|---|-------------------|--|--|--------------------------------|
|                      |                | <p>Bikeability National Standard in Cycle Training appropriate for each child and (2) to plan and implement interventions at pupil, school and borough level which will encourage and promote cycling on the highway and elsewhere and overcome real barriers to cycling through providing hard and soft measures such as resources, materials and marketing. The contract will be procured through an EU compliant tender procedure and advertised on CompeteFor and Tower Hamlets website.</p>   |   |                   |  |  |                                |
| CSF4665              | £10,000,000    | <p><b><u>Olga Primary School – Expansion Project</u></b><br/>                     The proposal to expand the school from its current one form of entry to three was agreed by Cabinet on 11<sup>th</sup> September 2013. The works involve replacing the existing building with a new larger school. Olga School is included in the Grouped Schools PFI Contract. The PFI provider, Tower Hamlets Schools Ltd (THSL) will be commissioned to deliver the project and will appoint a construction sub-contractor. This approach is to ensure that the PFI funders are able to accept the proposal and avoid any risk of claim from THSL under the PFI contract for access to the site and implications for their existing liabilities arising from the works. LBTH and THSL will agree the on-going FM costs associated with the development. THSL will develop the design and specification with the Council and the school. LBTH will carry out a value for money assessment of THSL's proposals before entering into contract.</p> | 30 months                                     | DfE capital grant | 20/01/2014   | 24/01/2014*  | Included as part of the tender |

**Appendix one – new contracts planned: Q4 of the Financial Year**

| Directorate Contract | Contract Value                                 | Scope of Contract  | Length of New Contract, or Contract Extension | Funding   | Date submitted to Competition Board or scheduled for submission* | Planned Date for Invitation to Tender or * Contract signature. | Community Benefits                         |
|----------------------|--|--|---|---|--|--|--|
| H4664                | £10,000,000                                    | <p><b><u>Energy Company Obligation Funding Agreements</u></b><br/>                     Funding agreement(s) with one or more of the six major energy suppliers, obligated under the Energy Company Obligation (ECO), to fund the installation of packages of energy efficiency measures to HRA dwellings to be delivered alongside the Decent Homes External Works Programme. Subject to feasibility studies and stock assessment these measures will comprise fabric insulation (cavity, solid wall, flat roof and/or loft insulation), fuel switches from communal electric to communal gas, the installation of double glazing and renewables.<br/>                     Eco funder will contract with THH, administrator of the grant, and contractors will receive the grant monies on adequate completion of works.</p> | Until March 2015                              | Energy company obligation (nil cost to the Council) | N/A  | 02/12/2013   | Included in the objectives of the contract |
| R4358                | £1,300,000 per annum<br>£3,900,000 total value | <p><b><u>Postal Service</u></b><br/>                     A collaborative procurement with eleven other London Boroughs for postal services via a Government Procurement Service Framework. Contract aims to create efficiencies through reducing the usage of 1st class mail by switching to 2nd class service or equivalent; Standardising, where possible, the use of 'Letter' sized mail items, thus reducing the volume of Large Letters and Packets and reducing the use of premium services.<br/>                     To take advantage of increased discounts due to consolidated volumes. Reduce the amount of A4 size envelopes and to utilise smaller envelopes in line with the environmental procurement imperatives.</p>  | 30 months                                     | Revenue   | 11/11/2013   | 01/02/2014*  | N/A  |



## Appendix one – new contracts planned: Q4 of the Financial Year

| Directorate Contract | Contract Value                             | Scope of Contract   | Length of New Contract, or Contract Extension | Funding | Date submitted to Competition Board or scheduled for submission* | Planned Date for Invitation to Tender or * Contract signature. | Community Benefits             |
|----------------------|--|---|---|---------|--|--|--------------------------------|
| CLC 4382             | £190,000 per annum<br>£570,000 total value | <p><b><u>Prison Link Service</u></b><br/>                     The service is designed to work with LBTH residents with substance misuse issues, who are either on remand or serving short term sentences, and provide a range of interventions to support recovery. This service acts as a pivotal link between prison based treatment services and those in the community. The expanded service will:</p> <ul style="list-style-type: none"> <li>• Broaden the criteria to include all offenders, particularly alcohol and non-opiate and crack users (OCU's) increasing impact upon criminogenic need.</li> <li>• Develop more robust links with Thameside, Holloway and Pentonville prisons.</li> <li>• Improve the quality of sentence and care planning through providing training the judiciary and treatment agencies.</li> </ul> <p>This initiative is in line with the Mayors priorities relating to Drugs and Crime; the Public Health Outcomes Framework 2013-16 (1.13: Re-offending); and both the National and Local Drug Strategy.</p> <p>The contract will be procured through an EU compliant Part B tender, open procedure and advertised on Competefor and Tower Hamlets website.</p> | 36 months                                     | MOPAC   | 20/12/2013   | 01/04/2014*  | Included as part of the tender |
| CLC4445              |  | <p><b><u>Grounds Maintenance Consumables Contract</u></b><br/>                     To procure a range of consumable items to support the delivery of the in-house grounds maintenance delivered by the Green Team. The consumable items include work wear, PPE, tools and equipment, shrubs and perennials, seasonal bedding and bulbs, grass, chemicals, top dressing and loam</p>   | 36 months                                     | Revenue | 15/04/2013   | 04/11/2013   | Included as part of the tender |

**Appendix one – new contracts planned: Q4 of the Financial Year**

| Directorate Contract | Contract Value                                      | Scope of Contract  | Length of New Contract, or Contract Extension | Funding    | Date submitted to Competition Board or scheduled for submission* | Planned Date for Invitation to Tender or * Contract signature. | Community Benefits             |
|----------------------|---|--|---|------------|--|--|--------------------------------|
|                      |   | <p>and mulch.<br/>This will be a 3 year Framework contract procured through an EU Open procedure for LBTH use only. The framework will be divided in 9 Lots.</p>   |   |            |  |  |                                |
| DR4684               | <p>£4,500,000 per annum<br/>£9,000,000 estimate</p> | <p><b><u>New Homes: Ashington East Contractor</u></b><br/>This contract is to design and build approximately 53 housing units as proposed to the GLA and within the terms of the planning permission on the site known as Ashington East.</p> <p>A percentage of the units will be adapted to meet specific needs such as wheelchair users and over-crowding.</p> <p>The project is to be delivered within the grant conditions according to the GLA time-table.<br/>The GLA bid included the use of procurement frameworks such as the GLA Developers' Panel, set up by the GLA in an attempt to reduce the time delivery partners spent on procurement and speed up delivery of the project. This is flexible enough to enable us to meet the various requirements and including community benefits.</p> | 24 months plus Defect Liability Period        | LBTH & GLA | 20/01/2014   | 04/11/2013   | Included as part of the Tender |