

Finance and Resources Committee

10.00am, Thursday, 29 October 2020

Extension to existing Contractor Works Framework

Executive/routine	Executive
Wards	All
Council Commitments	2, 3 and 7

1. Recommendations

- 1.1 That Committee approves an extension to the Council's Contractor Works Framework Agreement, under a waiver of the Contract Standing Orders, for a period of up to 24 months, from November 2020, with the Lots to be extended and the relevant contractors as follows:
- 1.1.1 Lot 1 – Electrical Installation Works to Arthur McKay & Co Ltd (now t/a Atalian Servest AMK Ltd), Dacoll (Electrical Contracting) Ltd, FES Ltd, Nicholson Bros (Electrical Contractors) Ltd and Skanska FM Ltd at an estimated contract value of £9.4M for the extension period;
 - 1.1.2 Lot 2 – Mechanical Installation Works to Arthur McKay & Co Ltd (now t/a Atalian Servest AMK Ltd), FES Ltd and Skanska FM Ltd at an estimated contract value of £7.8M for the extension period;
 - 1.1.3 Lot 3 Roofing & Rainwater Works to Advance Construction Ltd, Clark Contracts Ltd, G Grigg & Sons, James Breck Ltd, Watson & Lyall Ltd and Zenith at an estimated contract value of £4.5M for the extension period;
 - 1.1.4 Lot 4 Timber/uPVC Windows, Doors & Screens to Ashwood Scotland Ltd, Clark Contracts Ltd, Cornhill Building Services Ltd, Lakehouse Contracts Ltd and Watson & Lyall at an estimated contract value of £6.8M for the extension period;
 - 1.1.5 Lot 6 Multi-Trade Works Packages up to £500,000 in individual value to Ashwood Scotland Ltd, Cornhill Building Services Ltd, Clark Contracts, Maxi Construction and Morris & Spottiswood at an estimated contract value of £15.9M for the extension period;

- 1.1.6 Lot 7 Multi-Trade Works Packages between £500,001 - £5,000,000 in individual value to CCG Ltd, ESH Construction, Graham Construction, Lakehouse Contracts Ltd and Maxi Construction at an estimated contract value of £19.7M for the extension period;
- 1.1.7 Lot 8 Multi-Trade Works Packages above £5,000,000 in individual value to BAM Construction, CCG Ltd, Graham Construction, McLaughlin & Harvey and Morgan Sindall at an estimated contract value of £27.7M for the extension period;
- 1.1.8 Lot 9 Stonework and Masonry Works to Cornhill Building Services, G Grigg & Sons, Go Wright, Historic Property Restoration, James Breck Ltd and Zenith at an estimated contract value of £4.3M for the extension period;
- 1.1.9 Lot 10 Groundworks, Civil Works and Concrete Repairs to Advance Construction Ltd, Luddon Construction, MacKenzie Construction and Premier One at an estimated contract value of £7.3M for the extension period; and
- 1.1.10 Lot 12 Water Treatment and Legionella Management Works to Caledonia Heating, Envirocure, GBS Building Services, HSL Compliance Ltd, Integrated Water Services Ltd and SPIE Ltd at an estimated contract value of £21K for the extension period.

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Extension to existing Contractor Works Framework

2. Executive Summary

- 2.1 This report seeks Committee approval to extend, under a waiver of the Contract Standing Orders, the Council's existing Contractor Works Framework Agreement. This framework is strategically important and supports a large amount of the Council's construction activity, including the Council's Capital Investment Programme (2019-2024) incorporating a range of new builds and refurbishments for early years, primary and secondary schools, libraries, care homes, day care centres and sports centres as well as a major asset management lifecycle refurbishment of the Council estate.
- 2.2 As previously reported to Committee, the COVID-19 pandemic has had a significant impact on the Council's procurement activity, with few projects having been unaffected by delay. The re-procurement process for this framework would be large, and potentially complex. Given this and the current uncertainty in the contractor market, further time is needed to determine the most appropriate manner for the Council to commence this exercise and replace the current framework. The proposed extension of 24 months will provide that time, and an established mechanism for the Council to have construction work undertaken pending the new framework being concluded.
- 2.3 The annual value of the extension will depend upon the level of work awarded through it, but on the basis of historical spend is estimated at £51.5M per annum, taken across all Lots.

3. Background

- 3.1 The Council's Contractor Works Framework Agreement provides an important means of delivering the Capital Investment Programme, and other critical construction requirements. The existing framework expires in November 2020.
- 3.2 The framework enables the Council to access experienced contractors, who were appointed following a competitive tender exercise in 2015/16. The framework was awarded by the Committee on [8 September 2016](#). The framework comprises 12

Lots, but it should be noted that Lots 5 and 11 of the framework were not originally awarded and subsequently are not included in the proposed extension.

4. Main report

- 4.1 In 2019, Commercial and Procurement Services and the Property and Facilities Management Division commenced work on a new procurement process for the re-tendering of the existing Contractor Work Framework. The timescales for award of the new replacement framework were anticipated to mean there would be no need to extend the existing framework.
- 4.2 However, and as reported to the Committee on [9 July 2020](#), the COVID-19 pandemic has had a significant impact on the Council's procurement activity, with few projects having been unaffected by delay.
- 4.3 A replacement framework would have a large value and be of high interest to the market. The re-procurement exercise would also be complex and require a significant volume of market engagement, stakeholder and end user consultation, scope and price modelling, contract drafting, data gathering, and analysis to ensure the most effective framework which meets the needs of the Council and demonstrably secures Best Value.
- 4.4 The impact of COVID-19 on the construction industry has been significant, with the lockdown measures that were put in place and the closure of construction sites. The uncertainty felt by the sector has been compounded by the resultant economic climate, and the UK's departure from the European Union. Although construction sites have now re-opened, the market is still fragile.
- 4.5 Market feedback indicates that tendering a new framework for construction works at this time may result in a low response, due to the current market conditions and reduced contractor capacity to respond. It could also result in inflated prices, due to the ongoing uncertainty.
- 4.6 It is recommended that the Council extends the existing framework to ensure that critical and planned construction works can continue. During the extension the re-procurement process will be undertaken in a timescale appropriate to the changed market conditions. This will provide time for the market to stabilise and ensure that Best Value is secured for the Council.
- 4.7 The existing framework is currently contracted until November 2020. This report seeks approval to extend the framework for up to 24 months, until the completion of the procurement exercise and mobilisation of the new framework.
- 4.8 In undertaking the re-procurement there will be suitable engagement with suppliers and other stakeholders, including the Scottish Futures Trust, and other public sector partners who may wish to also be included in the exercise. This engagement will enable the procurement exercise to actively support the Council's [Sustainable Procurement Strategy](#), as noted at Section 7 below.

5. Next Steps

- 5.1 Construction work will continue to be provided by the existing contractors as required until the new framework is in place.
- 5.2 A full options appraisal, specifications and documentation for the new procurement process will continue to be developed in preparation for the new tender process to commence.
- 5.3 Further market engagement, as noted above, will be utilised to support decisions on the scope of new requirements.

6. Financial impact

- 6.1 As noted above, on the basis of historical spend data, it is estimated that the value of the extension is £51.5m per annum, but the actual value will depend upon the value of work actually awarded through the framework. No work will be awarded without budget being identified for the same.

7. Stakeholder/Community Impact

- 7.1 The procurement exercise for the new framework will be conducted in accordance with the Council's [Sustainable Procurement Strategy](#), which identifies seven key strategic procurement objectives. These objectives are aligned to the Council's priorities, and if delivered will have a positive impact upon the city, its citizens and its businesses. In particular, the Strategy aims to make the Council's external spend more accessible to local small businesses and third sector, to improve Fair Work practices adopted by Council suppliers and to increase the community benefits delivered by Council suppliers. The Strategy also aims to contribute to the Council's 2030 carbon-neutral city target.

8. Background reading/external references

- 8.1 Report to Finance and Resources Committee 23 January 2018 – Outcome of Property Condition Surveys - [Outcome of Property Condition Surveys](#)
- 8.2 Report to Policy and Sustainability Committee 9 July 2020 – [COVID-19 Impact on Council Procurement Activity](#)
- 8.3 Report to Finance and Resources Committee 8 September 2016 - [Contractor Works Framework Award of Contract](#)

9. Appendices

9.1 None.