

THE HIGHLAND COUNCIL

Resources Committee – 1 October 2008

Agenda Item	
Report No	

FRAMEWORK AGREEMENTS

Report by the Director of Housing and Property

Summary

This report sets out the current position with regard to progress in implementing a framework agreement for construction-related consultancy services, and asks Members to note the programme to implement a framework agreement for construction works.

1. Introduction

1.1 The Resources Committee has previously approved the principle of entering into framework agreements to improve the process for the procurement of construction works, and to address issues with the delivery of capital programmes.

1.2 The revised Contract Standing Orders approved by the Highland Council in December 2007 make provision for framework agreements to supersede the use of maintained lists, unless open tendering for individual projects is used instead.

1.3 As the values of the frameworks agreements proposed in this report are in excess of the respective European Union (EU) thresholds, tendering will require to be carried out in accordance with EU procedures.

2. Framework Agreements

2.1 A framework agreement is an agreement between two parties for the supply of goods, works or services over a specified period of time. It establishes the terms and conditions under which specific call-offs for individual contracts can be made throughout the term of the agreement, in particular with regard to price and quantity, and can be with a single provider or with several providers.

2.2 Framework agreements could potentially provide many benefits to Highland Council, including the following;

- Simplification of the procurement process, avoiding unnecessary delays and saving time at critical stages in projects;
- Potential economies of scale through the aggregation of contracts;
- Enhanced relationships with providers;
- The creation of a reliable and responsive external consultancy base to support existing resources;
- Increased flexibility resulting in improved management of expenditure on capital programmes;
- Ensuring a better quality of service;
- Enabling e-procurement;
- Improved quality control and standardisation.

3. Consultancy Services Framework Agreement

- 3.1 Housing and Property Services provide a wide range of construction-related consultancy services to deliver projects in Highland Council's capital and revenue programmes. Where necessary, private sector consultancy firms are appointed to augment these services.
- 3.2 In recent years there has been a significant increase in the use of external consultants on construction projects. The appointment process has predominantly been by competitive fee offer for individual disciplines on a project-by-project basis.
- 3.3 Housing and Property Services intend to enter into a framework agreement with private sector firms for the various professional services required, thus avoiding the need to continually tender for consultancy services. The consultants appointed will provide services as part of project teams comprising Council staff and other external consultants.
- 3.4 Appointments for the majority of projects will be made under the terms and conditions of the framework agreement on the basis of a percentage fee matrix that takes account of the nature, location and value of the individual projects. There will be scope to undertake mini-tendering exercises for more complex or specialist types of work within the framework agreement where this is considered to be appropriate. It is proposed that the agreement would cover an initial two year period with provision to extend the duration of the agreement by up a further two years.
- 3.5 Tender documentation is programmed to be issued by the end of October 2008 with tenders returned in December. It is anticipated that consultants will be appointed in March 2009 allowing the agreement to commence from the start of the new financial year.

4. Construction Works Framework Agreement

- 4.1 Housing and Property Services propose to enter into a framework agreement with construction firms based on four distinct categories of works. Each category will be sub-divided into individual lots based on criteria such as geographical areas and the nature of the works.

For example, the majority of housing projects could be grouped into lots based on elemental types of works such as bathroom, kitchen or window replacements, heating installations and re-wiring. Also, works in Category 1 could be divided into lots based on the individual trades involved. The number of lots to be included in the framework agreement is currently being considered. The four proposed categories are listed in the following table.

Category	Description	Anticipated No. of Geographical/ Operational Areas	Anticipated No. of Providers per Lot
1	Day-to-day repairs and maintenance works; minor works projects with a value of less than £25,000.	8-10	Unlimited
2	Minor works projects with a value between £25,000 and £250,000.	6-8	3-8
3	Major housing projects with a value in excess of £250,000; major non-housing projects with a value between £250,000 and £1,000,000	4	3-8
4	Major non-housing projects with a value in excess of £1,000,000	4	3-8

4.2 The need to continue to sustain local providers and communities wherever possible has been taken into account when considering the number of geographical areas for each of the categories. There is a particular need to ensure that smaller contractors are not deterred from applying for inclusion, hence the proposal to have more geographical areas for Categories 1 and 2.

4.3 It is proposed that there should be four geographical areas for Categories 3 and 4 as opposed to operating on a Highland-wide basis. The proposed areas are as follows:

- Caithness and Sutherland
- Central (Inverness, Nairn, Badenoch and Strathspey, Black Isle, Dingwall and Mid Ross, Easter Ross)
- Skye, Lochalsh and Wester Ross
- Lochaber

4.4 These areas generally reflect the operational areas of those contractors that currently tender for projects in these categories but who do not work across the entire Highland Council area. Contractors will be able to express an interest in being considered for projects in more than one of these areas if they so wish.

4.5 All current providers will be encouraged to express an interest in continuing to work for Highland Council, and it is proposed that there will be a period of information awareness and consultation prior to tenders being invited.

4.6 Appointments will be made under the terms and conditions of the framework agreement on the basis of standard specifications for the various work elements, and a pricing structure that is currently being developed. It is proposed that the agreement would cover an initial three year period with provision to extend the duration of the agreement by a further year.

4.7 The preparation, research and consultation period is programmed to be completed by the end of December 2008. The pre-qualification phase, which entails the evaluation of contractors that express an interest and the subsequent selection of firms to be invited to tender is programmed to be completed by the end of March 2009. Tendering will take place during April and May, with tenders being evaluated during June and July. It is anticipated that contractors will be appointed by the end of July allowing the agreements to commence during August 2009.

5. Recommendations

- 5.1 Members are asked to note the current position with regard to progress in implementing a framework agreement for construction-related consultancy services.
- 5.2 Members are asked to note the programme to implement a framework agreement for construction works.

Signature:

Designation: Director of Housing and Property Services

Date: 12 September 2008

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