

Cambridgeshire Education Capital Procurement Delivery Options

To: Children & Young People Committee

Meeting Date: 10th November 2020

From: Wendi Ogle-Welbourn, Executive Director: Communities & People

Electoral division(s): All

Forward Plan ref: KD2020/046

Key decision: Yes

Outcome: Based on a detailed options appraisal the Committee is asked to consider and give their approval to the most appropriate route to procure education capital projects, in order to deliver the Education Capital Programme for the next four years, and ensure that the Council's statutory responsibility to provide school places continues to be met.

Recommendation: It is recommended that Committee approve:

- a) the re-procurement of a local Cambridgeshire-based Design & Build Framework, with improvements to key performance management criteria and the development of Key Performance Indicators (KPIs) in the high priority areas of value for money, social value, and environmental performance;
- b) the proposal that responsibility for awarding the framework contract be delegated to the Executive Director: People & Communities in consultation with the Chairman of the Children and Young People Committee.

Officer contact:

Name: Rachael Holliday
Post: Education Capital Projects Manager
Email: rachael.holliday@cambridgeshire.gov.uk
Tel: 01223 714 696

Member contacts:

Names: Cllr Simon Bywater
Post: Chair
Email: simon.bywater@cambridgeshire.gov.uk
Tel: 01223 706398 (office)

1. Background

- 1.1 The Council operates a Design & Build (D&B) model of procurement to deliver its large-scale education capital projects. In 2013, the Council procured its own two stage D&B Contractors' Framework. In 2019, the Council procured the Cambridgeshire Construction Consultants' Framework to provide professional services to support the D&B Contractors' Framework specifically for the purposes of delivering the Education Capital Programme. These services include full multi-disciplinary design for feasibility studies, and professional project management and cost management services for project delivery. The Cambridgeshire D&B Contractors' Framework is scheduled to expire in July 2021.
- 1.2 Due to changes in demography and a slowdown in the housing market, the value of construction works in 2021 will be lower than we have seen in previous years. In addition, there is early evidence that the birth rate in existing communities has peaked and may be beginning to decline slightly. The implication is that future projects providing additional school places will be focused on delivery of new schools linked ever more closely to significant housing growth in either new settlements (towns and garden villages) and urban extensions to Cambridge City and our market towns. The pipeline of projects will also be intrinsically linked to the nation's economic performance, for example the future of the housing market and the public policy response whilst the country continues to respond and adapt to Covid-19. Combined, these present major uncertainties, and will impact upon the construction sector. The approach taken for the future will need to consider and mitigate these new risks alongside the usual risks associated with delivering a large-scale, high value capital programme.
- 1.3 It has therefore been necessary to review the requirements of education capital delivery in the context of greater programme uncertainty, overall economic uncertainty and possible changes in the construction sector. The conclusion from that review, which involved a detailed options appraisal, was that the re-procurement of a local Cambridgeshire-based Design & Build Framework scored the highest when compared to two other market leading frameworks and the DfE school building framework.
- 1.4 The outcome of the options appraisal has been presented and approved by the Cambridgeshire & Peterborough Joint Commissioning Board and Cambridgeshire Education Capital Programme Board.

2. Main Issues

2.1 Statutory Duty

- 2.1.1 The Council, as the local Children's Services Authority, has a statutory duty to provide a school place for every child living in its area of responsibility who is of school age and whose parents want them educated in the state funded sector. It also has a duty to secure sufficient and suitable early years and childcare places for children aged 3 and 4 and eligible 2 year olds. To achieve this, the Council has to keep the number of places under review and to take appropriate steps to respond to changes in demand where necessary. This includes maintaining a rolling programme of capital investment for the provision of educational facilities for Cambridgeshire's children and young people. This forms part of the Council's Business Plan approved by full Council each February.

2.1.2 The decision to review potential options for procurement of design and build services will ensure that the Council maintains value for money, and crucially that it meets its statutory need to provide school places in a timely manner.

2.1.3 For the purposes of the review, the option of competitively tendering every single project was discounted because of the need to meet OJEU rules and procurement processes. This would have added significant time constraints to projects as well as increase the amount of officer resource and professional support to oversee the process.

2.2 Review of procurement options

2.2.1 The objectives of the review were as follows:

- Establish the need for a Framework based on the future Education Capital programme, for projects of £1m construction value and above.
- To have a clear evidence-based set of recommendations for consideration by senior managers and the Children and Young People's Committee by November 2020.
- To have a clear agreed strategy and procurement delivery mechanism for education capital projects for the next 4 years by November 2020.
- To have a framework that can deliver the policy objectives of the Council relating to value for money, the Climate Emergency, benefiting the local economy and the development of sustainable new communities.
- To have an agreed project team, training requirements and timetable of events that allow for either the direct procurement of a new Framework or an effective transition from the existing Framework arrangements to any new Framework arrangements by January 2021.

2.2.2 To achieve this a project team consisting of Education Capital Project Officers, Procurement Officers and Professional and Technical advisors was formed to undertake the review, which consisted of the following elements:

- Lessons learned meetings with contractors on the existing D&B Framework.
- Market testing via a questionnaire to the construction market via Contract Finder.
- Meetings with representatives from the following frameworks: the Department for Education (DfE) School Building Framework, Pagabo and Scape.
- Review meetings with three adjacent local authorities.

2.2.3 The outcome following this initial review was that officers considered that a further detailed analysis of the following procurement options was required to inform the recommendation with regard to future commissioning arrangements:

- Re-procurement of an improved Local Cambridgeshire Framework
- Use of the DfE School Building Framework
- Use of the Pagabo Framework
- Use of the Scape Framework

2.2.4 For each procurement option the analysis resulted in the following outputs:

- Results and Themes Report following the market testing exercise (Appendix 1)
- Detailed Options Appraisal including non-financial benefits, financial benefits and opportunity costs (Appendix 2)
- Project Plan (Appendix 3)

2.2.5 The rationale behind the Options Appraisal (Appendix 2) is as follows:

- Non-financial impact**
This sets out the Council's minimum requirements for a framework in order to be able to deliver the Education Capital Programme, and is given an overall weighting of 60%. Using a sliding scale the scoring takes into account the time cost and quality aspects, and identifies to what extent each of the frameworks can meet these requirements.
- Financial Impact**
This sets out the additional costs required to set up or use each of the frameworks, and is given an overall weighting of 20%. It also sets out the indirect costs of managing each of the frameworks over its duration (which is anticipated to be 4 years). Using a sliding scale the scoring identified the lowest to the highest financial impact. It should be noted that this does not assess impact of building costs, as it is assumed that each of the frameworks tested would meet Education Building and Development Officers' Group (EBDOG) benchmark building rates or lower. This is given an overall weighting of 20%, provide an explanation
- Opportunity costs**
This sets out the opportunities to save money for each of the framework options, and is given an overall weighting of 20%. The scoring is based on a sliding scale score of zero to maximum opportunity to identify potential savings during the term of the framework. To use 'Internal Staff Costs' as an example, a framework would receive a high score if genuine savings could be made and internal staffing costs were reduced. Conversely, a framework would receive a low score if genuine savings could not be made, and it had the potential to result in increased internal staff costs.

2.2.6 The following table summarises the outcome of the Options Appraisal and provides the weighted average score for each of the frameworks:

	Local Cambridgeshire Framework weighted average score	DfE School Building Framework weighted average score	Pagabo weighted average score	Scape weighted average score
Non-financial Benefits	60.6	42.6	48	46.2
Financial Impact	1.4	1.4	0	-0.6
Opportunity Costs	3.2	1.8	2.8	0
TOTAL SCORE	65.2	45.8	50.8	48

2.2.7 The key findings arising from the Options Appraisal for each of frameworks are included on the 'Key Findings Page' page in Appendix 2.

2.2.8 Project plans for the procurement of a local Cambridgeshire framework and three other alternative frameworks are included in Appendix 3. These show that all potential options are deliverable by the end of July 2021, so the decision as to which way to proceed can be made solely on the basis of the overall outcome of the options appraisal.

2.2.9 It should be noted that the implementation phase of the project plan for the local Cambridgeshire framework is delivered more slowly than the other framework options. This is because the Council would need to design and procure a framework taking into account all of the lessons learned to date. However, the project plan for the alternative framework options will largely depend on the amount of time it takes to agree and set up the governance arrangements, the alignment of framework processes with the Council's preferred milestone model and the amount of staff training which will be required. At present, this has not been measured.

3. Conclusion

3.1 The Scape and Pagabo procurement route would have a high financial impact. This includes a significantly high cost in the form of a framework fee which would be charged against each capital project in addition to the internal cost associated with set up and on-going management. The Council would not be able to justify the cost associated with the use of either of these frameworks, which would be additional to that required by the Council to maintain an internal Education Capital Team in the role of intelligent client.

3.2. The DfE School Building Framework scored lowest scores for Non-financial Benefits and Opportunity Costs. The main concerns relating to this procurement route include the lack of flexibility relating to process and risk management. Due to the high degree of self-funding and self-delivery in Cambridgeshire (i.e. funded via section 106 or borrowing, and delivered by an internal Education Capital Project Team), the matter of risk transfer is important in project delivery. The DfE's bespoke contract means there is little or no opportunity to negotiate with suppliers in this area, which could ultimately result in higher delivery costs.3.3 Officers' recommendation is to proceed on the basis of the re-procurement of a local Cambridgeshire based D&B framework for the following reasons:

- i. **Mitigation of identified economic and industry risks.** At a time of economic uncertainty, a local framework secures contractor resource for the Council and provides reassurance that those awarded a place have had their businesses financially assessed as part of the tender evaluation process and throughout the term of the framework.
- ii. **Organisational resilience at a time of uncertainty.** A local contractor framework provides the Council with an opportunity for other capital projects to be delivered without putting in place other, separate procurement arrangements. Recent examples of this are the Sawston Hub and the Ely Archives projects. The resource or infrastructure of a local framework also provides the Council with an emergency response capacity with limited financial risk or long lead in times. A recent example is the fire at Duxford Primary School, whereby the Education Capital Team were able to draw on contractor

resource quickly and efficiently. Furthermore, our contractors have assisted in providing the Council with suggestions regarding emergency options for infrastructure following the recent Covid outbreak.

- iii. **Benefits to the local economy.** Through an appropriate key performance management mechanism we can ensure that contractors source their supplies and workforce at a local level which represents a significant local spend with Small and Medium Enterprise's. This helps to boost the local economy, provide jobs and reduce the time for people to travel to work. Furthermore, a contractor working within schools, provides a much better opportunity for joint working to support Careers Information Advice and Guidance, and apprenticeships.
- iv. **Supporting the Climate Emergency.** To do this, contractors will be required to design buildings to meet the Net Zero Carbon policy requirements and to reduce their carbon footprint during construction. The latter is more easily achieved if a local supply chain is procured to deliver the project.
- v. **Past performance and track record.** The existing Cambridgeshire framework has seen 16 Education projects tendered through the framework using mini-competition. Of these 7 have achieved completion on site. All projects let since Aug 2017 (pre Covid-19) were completed on time and were within budget set at contract let/start on site stage. The financial savings achieved through using mini-competition against tendered capped rates is 5.16%. Where there has been late delivery due to Covid-19, mitigation has been possible under a flexible local framework to ensure the Council meets its sufficiency duty. The majority of end users are 'totally satisfied' with the building and the service provided, and there have been few defects compared to other framework delivery routes used by the Council. Where defects have been identified, the contractor has worked alongside the Council to rectify these in the most expedient way.
- vi. **Continuous improvement.** Council officers are familiar with the framework and can, therefore, identify the opportunities for improvement. This can be measured through Key Performance Indicators (KPIs) in the high priority areas of value for money, social value, and environmental performance. However, the less tangible aspects of the design and build process are also captured through collaboration and effective management of risk (e.g. town planning and management of asbestos and ICT services throughout the project). This is better achieved with a locally managed framework, which can be adapted and developed over time.
- vii. **Joint professional development, knowledge and skills.** Council officers have genuine concerns about the loss of organisational learning if the other options included in the review were taken forward. It is believed that use of a totally new framework route would result in more challenges in an already complex planning and regulatory environment in which education projects are delivered.

3.2 Although a re-procured local Cambridgeshire D&B framework will provide the potential benefits set out in paragraph 3.3, in committing to this procurement option the Council is not constrained if for any reason it wished to use some of the alternative frameworks identified in this report. The performance of the re-procured local Cambridgeshire framework will be

continually monitored against the KPI's and some individual projects, on assessment, may be better suited to delivery by an alternative framework. It is proposed that this is assessed at milestone 2 stageⁱ, which is part of the existing governance arrangements.

4. Alignment with corporate priorities

4.1 A good quality of life for everyone

The following bullet points set out details of implications identified by officers:

- Providing sufficient and suitable school and early years places to match local demand as closely as possible will ensure that the full range of children's services can be more easily accessed by families in greatest need.
- Providing access to local and high quality educational provision and associated children's services should enhance the skills of the local workforce and provide essential childcare services for working parents or those seeking to return to work. Schools and early years and childcare services are also providers of local employment.

4.2 Thriving places for people to live

The following bullet points set out details of implications identified by officers:

- Capital investment in public infrastructure provides employment and supports economic development. Future procurement arrangements can support the development of local supply chains and businesses if structured in a way which provides for the inclusion of appropriate measures of social value.

4.3 The best start for Cambridgeshire's children

- The Council has a statutory responsibility to ensure that every child whose parents want them educated in the state-funded sector is offered a school place. In addition, it has a duty to secure sufficient and suitable early years and childcare places.
- The vast majority of the schemes within the Children and Young People capital programme are focused on creating additional capacity to provide for the identified need for new places for Cambridgeshire's children and young people in response to demographic need and housing growth. The procurement of the new Framework will ensure that the Council continues to be able to deliver the planned level of infrastructure investment and meet its statutory responsibilities.

4.4 Net zero carbon emissions for Cambridgeshire by 2050

The following bullet points set out details of implications identified by officers:

- Construction will School buildings will be built comply with Cambridgeshire Net zero carbon emissions policies.
- Suppliers to the proposed D&B framework will be expected to meet a set of carbon emissions criteria before being awarded a place on the framework, and will be monitored throughout the duration of the framework via KPIs.

5. Significant Implications

5.1 Resource Implications

The following bullet points set out details of implications identified by officers:

- Under the Council's Constitution and Principles of Decision-making, procurement of the framework presents a Key Decision, requiring Committee approval. This is because, although the framework itself does not hold any value, each project

undertaken is likely to result in expenditure in a related series of transactions in excess of £500,000.

- All the 0-19 Education Capital team costs, plus any associated professional fees are charged against the CYP Capital Programme.
- The performance of any framework in terms of costs will be reflected in the Council's five year capital programme and the 10 year forward looking assessment.
- Local costs will also be used as the basis for the negotiation of developer contributions towards the cost of education infrastructure and these will need to reflect national benchmarks in order to avoid challenge but also ensure that other public infrastructure can be supported and overall viability of housing development is not adversely affected.

5.2 Procurement/Contractual/Council Contract Procedure Rules Implications

The following bullet points set out details of implications identified by officers:

- The procurement, evaluation and award of the new framework/term contracts will be undertaken by the 0-19 Education Capital Team, working in partnership with Procurement and LGSS Law to ensure that the relevant compliance measures are met.
- Contract performance will be managed, monitored and, where appropriate, challenged, against a set of KPIs and regular engagement meetings. This will be undertaken in close liaison with LGSS Procurement and Legal to ensure that performance is managed and monitored throughout the length of the framework arrangements.
- Tender processes will be undertaken in compliance with EU procurement rules. It is proposed to award contracts on a three year (plus one) basis.

5.3 Statutory, Legal and Risk Implications

The report above sets out the implications for this priority in para 2.1.1 and 2.1.2.

5.4 Equality and Diversity Implications

All accommodation to be delivered via the proposed framework has to be compliant with the provisions of the Public Sector Equality Duty and current Council standards.

5.5 Engagement and Communications Implications

Significant levels of engagement and consultation take place with all schools and early years' settings identified for potential expansion to meet the need for places in their local areas over the development and finalisation of those plans. Schemes are also presented to local communities for comment and feedback in advance of seeking planning permission.

5.6 Localism and Local Member Involvement

Local Members are kept informed of planned changes to provision in their wards and their views sought on emerging issues and identified actions to address these.

5.7 Public Health Implications

The following bullet points set out details of significant implications identified by officers:

- If children and young people have access to local schools and associated children's services, they are more likely to attend them by either cycling or walking rather than through local authority-provided transport or car.
- They will also be able to access more readily out of school activities such as sport and homework clubs and develop friendship groups within their own community. This

should contribute to the development of both healthier and more independent lifestyles.

Have the resource implications been cleared by Finance? Yes

Name of Financial Officer: Martin Wade

Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement? Yes

Name of Officer: Gus de Silva

Has the impact on statutory, legal and risk implications been cleared by the Council's Monitoring Officer or LGSS Law? Yes

Name of Legal Officer: Fiona McMillan

Have the equality and diversity implications been cleared by your Service Contact? Yes

Name of Officer: Jonathan Lewis

Have any engagement and communication implications been cleared by Communications? Yes

Name of Officer: Anthony Day

Have any localism and Local Member involvement issues been cleared by your Service Contact? Yes

Name of Officer: Jonathan Lewis

Have any Public Health implications been cleared by Public Health? Yes

Name of Officer: Kate Parker

6.0 Appendices

6.1 Appendix 1 – Market testing results

Accessible version available on request from Democratic.Services@cambridgeshire.gov.uk

6.2 Appendix 2 – Education Capital Procurement Options

Accessible version available on request from Democratic.Services@cambridgeshire.gov.uk

6.3 Appendix 3 – CCC Education Capital Framework Options

Accessible version available on request from Democratic.Services@cambridgeshire.gov.uk

ⁱ All Education capital projects are subject to a milestone review process. At milestone 2 the project is reviewed by the Chairman of the Children and Young Person Committee prior to any financial commitment with a contractor.