

Report sponsor: Alison Parkin, Director of
Financial Services
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Compliance with Contract and Financial Procedure Rules

Purpose

- 1.1
 - Decent and Safe Homes (DASH) Procurement Framework - the establishment of two Specialist Service Frameworks and appoint service providers onto the frameworks
 - Financial Management System Replacement – delegation of award of Contract for a Financial Management System Replacement
 - Reallocation of funding in the capital programme of £0.180m from the City Energy Savings Programme (CESP) to the Green Homes Grant, Local Authority Deliver phase 2 (GHG LAD) Grant Scheme.

Recommendations

- 2.1 To approve the establishment of two Specialist Service Frameworks for DASH Services & appoint service providers onto the frameworks as outlined in section 4.1.
- 2.2 To approve delegated authority to the Strategic Director of Corporate Resources, in consultation with the relevant cabinet member, subject to Project Management Office (PMO) - Gateway 3 project approval, to award the contract to the shortlisted bidder for the Financial Management System which best meets the Council's requirements as outlined in section 4.13.
- 2.3 To approve the reallocation of £0.180m from the CESP capital allocation to the GHG LAD Phase 2 capital allocation on the capital programme. This is a transfer of £0.180m in the current year

Reasons

- 3.1 To comply with the Council's Financial and Contract Procedure Rules.

Supporting information

4.1 **Dash Procurement Framework**

DASH is a service which aims to improve housing conditions in the private rented sector (PRS) by working in partnership with Local Authorities and other stakeholders across the East Midlands. DASH provides a non-enforcement function and works with landlords and housing professional on a voluntary basis. DASH Services have been delivered by Derby City Council since 2009. Income for this service is generated via 26 different Local Authority subscriptions, income derived by the delivering of a national training programme, landlord contributions to a landlord accreditation scheme and a homeless prevention consultancy service 'Call Before You Serve' (CB4YS).

4.2 During the past two years DASH Services has seen significant growth in the demand and scope of the services it provides. DASH Services operates within Derby and across the rest of England. The volume and type of work undertaken fluctuates depending on the timing of new housing legislation and local demand by specific 'subscribing' Local Authorities.

4.3 No in-house resources are available to deliver these services and the recruitment of specialist staff was trialled but proved unachievable and ineffective due to:

- Time lost through excess travelling
- The inability to recruit suitably qualified people who held the breadth of knowledge required to fulfil the diverse requirements delivered by DASH
- The financial implications involved with occasional down-time due to the potential reduced demand.

4.4 DASH have therefore engaged external specialist services to carry out various specialist functions by seeking quotations or tenders as and when the requirements emerge, which is time consuming and can potentially delay service delivery whilst suppliers and bids are assessed. Time constraints can lead to missed business opportunities if insufficient time is available to conduct a quotation or tender exercise. The establishment of a Framework, which is compliant with the Public Contract Regulations 2006, will ensure procurement of specialist services is quick, simple and cost effective.

4.5 The Council will carry out a tender process which is compliant with the Public Contract Regulations 2006, thereby saving valuable time and resources with greatly reduced procurement timescales as there is no need to advertise the call-off contracts. Suppliers listed on the Frameworks will have already been assessed for their quality, experience and technical ability.

The framework will be set up with no financial implications to the council as the council does not guarantee any work to the framework providers and this is needs led.

- 4.6 There will be two separate Frameworks:
- Framework 1: Specialist Training, specialist development and needs specific Resources
 - Framework 2: Property Inspections, specialist technical knowledge and technical support services

Tenderers are invited to bid for one or both frameworks. The number of Suppliers offered a place on the Framework will depend in part upon the number and nature of bids received. The objective will be to ensure that the Framework offers DASH a choice of a minimum of two suppliers in both frameworks. This number is not fixed, the final composition of the Framework will be as decided by the Council, whose aim will be to ensure DASH can offer its customers the best service available, whilst avoiding 'diluting' the economies of scale which the Framework should bring about.

- 4.7 The Framework will be let for an initial period of two years; the Framework is estimated to commence within the next 6 months once due process has been followed. There will be an option to extend the Framework for a further two years in annual increments. The maximum Framework duration is four years.
- 4.8 Individual contracts awarded under the Framework may be of any reasonable duration regardless of when they commenced, i.e. an individual contract may outlive the expiry of the Framework itself although the maximum length of a call off contract can be is 5 years. However, given the nature of the services being sourced under the Framework, it is anticipated that the duration of most individual contracts will last no longer than one year.
- 4.9 If the need for the specialist services do not exist or DASH's service demand is not as high as anticipated during the framework period the council is not under any contractual risk and the framework would merely lapse.
- 4.10 The Frameworks will offer access to pre-approved suppliers who can be appointed using an efficient and streamlined procurement process; ensuring officers obtain value for money services whilst enabling their outcomes to be achieved and ensuring compliance with Contract Procedure Rules.
- 4.11 Officers wishing to procure services via the Framework will normally do so via 'Calling Off': e.g. DASH will choose the 'lot' required then identify the most suitable supplier for provision of their needs, making their selection on the basis of the pricing and/or ranking of the suppliers in line with procurement rules.
- 4.12 It is recommended to approve the establishment of two Specialist Service Frameworks for DASH Services & appoint service providers onto the frameworks.
- 4.13 **Financial Management System Replacement**
The current Financial Management System has been in place since 2007 and has had minimal development since the last major upgrade in 2012. The current System will no longer be supported by the vendor from 2022 and it is generally recognised that the Financial Management System could be doing more to support the business than it is at present.

- 4.14 Approval is sought to delegate authority to the Strategic Director of Corporate Resources, in consultation with the relevant cabinet member, subject to PMO Gateway 3 approval, to approve the award of the contract to the shortlisted bidder to allow the Financial Management System Replacement Project to progress to meet the go-live date of April 2023.
- 4.15 An Outline Business Case was approved in March 2021 for a Financial Management System Replacement. A negotiated tendering process is ongoing which should be concluded in December 2021. All shortlisted bidders are within the allocated budgets and are being assessed against robust quality criteria.
- 4.16 It is recommended to approve delegated authority to the Strategic Director of Corporate Resources, in consultation with the relevant cabinet member, subject to PMO Gateway 3 project approval, to approve the award of the contract to the shortlisted bidder for the Financial Management System which best meets the Council's requirements.
- 4.17 **Reallocation of £0.180m from the CESP to GHG LAD Phase 2 on the capital programme**
In July 2020, the Chancellor announced £2 billion of support through the GHG to save households money, cut carbon emissions and create green jobs through improvements to energy efficiency in homes. £0.500m has been specifically allocated for local authority delivery of the programme over 18 months through the Green Homes Grant: Local Authority Delivery initiative.
- 4.18 An allocation, for LAD 2, of £1.590m was approved for acceptance by cabinet on the 28 April 2021 and was issued to the Council. The programme included 166 properties in total, of which 113 were in the private sector and the remaining 53 being in Council ownership. The measures comprise primarily of external wall insulation; however, the programme has been revised to 45 private sector properties. A bid has been made through the Social Housing Decarbonisation Fund (SHDF) and it is envisaged that the Council owned stock will be improved through that programme, which has higher grant limits for individual properties. The SHDF was announced after the LAD 2 programme and cabinet approved a submission of a bid on the 6th October 2021. The outcome of which will be known in January.
- 4.19 When assessing the GHD LAD 2 funding it was anticipated that the typical cost per property would be contained within the £0.010m maximum offered through LAD 2 however, since then, well publicised construction cost price increases now mean that the £0.010m will no longer cover the full cost of the works.
- 4.20 The estimated average costs for external wall insulation to a typical qualifying property at the time of estimating was £0.008m - £0.009m. Following the procurement exercise on the earlier LAD 1B programme, these costs have increased due to inflation of both materials and labour elements to approximately £0.014m.

- 4.21 As a result of this, it is now proposed that the CESP funding is utilised as a match to meet the shortfall of approximately £0.004m over the 100 privately owned properties for the owner/occupiers. This injection of £0.180m will assist in bridging the unexpected, inflation in costs. It is still considered that this represents good value for money with GHG LAD 2 external funding contributing 60% of the costs. The reduction of carbon emissions from homes in the private sector will play a key role in the Council meeting its climate change emissions targets.
- 4.22 The CESP programme delivers external wall insulation to properties with solid wall construction. It has been superseded by the national GHG programme Combining the two sources of funding will enable the Council to deliver more improvements to low-income fuel poor households.
- 4.23 It is recommended to approve the reallocation of £0.180m from the CESP capital allocation to the GHG LAD Phase 2 capital allocation on the capital programme. This is a transfer of £0.180m in the current year.

Public/Stakeholder engagement

- 5.1 **Dash Procurement Framework** - The DASH Services Committee of Management (which consist of representatives from subscribing Local Authorities, accredited Landlords and other professional bodies) has been engaged and they support the establishment of the framework.
- 5.2 Derby City Councils Housing Standards Manager is in support of the development of the Framework as this will not affect their enforcement functions.
- 5.3 **Finance System Replacement** - A cross-section of the users on the Financial Management have been consulted and their requirements formed the basis of the specification issued to bidders.

Other Options

- 6.1 **Dash Procurement Framework** - The option to continue with the current tendering process does exist, however this has limitations and problems as documented.
- 6.2 The recruitment of permanent or temporary members of staff to carry out these services has been trialled and is not feasible.
- 6.3 Other Frameworks do exist, but none are offering the specialist services required by DASH.
- 6.4 **Finance System Replacement** - Do not replace the Financial Management System- this would not allow the Council to fulfil its statutory duties.
- 6.5 **CESP to GHG LAD 2** - Review of the work types included within the current programme to reduce the average cost per property. However, new procurement would be required for any changes to the work stream. This is not possible within the remaining timescale where delivery is required by 31 March 2022.

- 6.6 **CESP to GHG LAD 2** - To not match fund the LAD 2 grants and return the element of the funding received for owner – occupied properties, however this will neither help in the delivery of climate change objectives or reduce the fuel bills of residents many of whom are on low incomes or vulnerable.

Financial and value for money issues

- 7.1 **Dash Procurement Framework** - The Framework aims to achieve efficiencies and value for money. It will be monitored and used in accordance with contract and financial procedure rules. There are no financial implications involved with setting up the framework, or utilising less 'call offs' than anticipated. Costs associated with drawing down from these frameworks will be more than offset by external income. Income is managed in line with Derby City Councils policy and overseen by the DASH Committee of Management.

All requests for call off's will be made via existing Procurement rules
The Framework will be for a total of £0.440m over the maximum term of 4 years.

- 7.2 **Finance System Replacement** – This will allow the Council to streamline its processes and potentially deliver savings and efficiencies.
- 7.3 **CESP to GHG LAD 2** – The Council currently have an approved budget in the 2021/22 capital programme for private sector solid wall insulation works under the City Energy Saving Programme. The programme funding available through GHG LAD 2 maximises the use of Council's available budget. Budget reallocation will be required to partially transfer the 2021/22 CESP programme to LAD 2.
- 7.4 **CESP to GHG LAD 2** – The procurement has been completed through a direct award using the Efficiency East Midlands Framework for Phase 1B and is in progress for Phase 2 using a schedule of rates which have increased due to covid related factors causing inflation in the construction industry.

Legal implications

- 8.1 **Dash Procurement Framework** - Establishing the Framework will assist in managing the Council's risks around contracting and help ensure compliance with legislative and other regulatory requirements.
- 8.2 **CESP to GHG LAD 2** Procurement of services and installation contractors must comply with Contract Procedure Rules. Attachment of Land Charges against the funding granted above £0.010m are not considered appropriate, following advice from Legal Services.

Climate implications

- 9.1 **Dash Procurement Framework** - Reducing travel by engaging suitably located individuals via the framework will have a positive impact on the climate. Having access to specialist housing trainers who are also able to deliver professional courses 'Online' will have a positive climate impact due to reduced travelling time.

- 9.2 **CESP to GHG LAD 2** - GHG LAD Phase 2 aims to support low-income households living in energy inefficient homes. LAD will upgrade homes delivering progress towards:
- The statutory fuel poverty target for England
 - The UK's target for net zero by 2050.

The owner-occupied element of the programme is expected to deliver a carbon saving of approximately 220 lifetime tonnes.

Equalities

- 10.1 All Equality Impact Assessments will be completed as required.

Other significant implications

- 11.1 **Dash Procurement Framework** - None directly arising from this report. The framework is taking on the function of formalising the existing tendering process.

This report has been approved by the following people:

| Role | Name | Date of sign-off |
|---------------------|--|------------------|
| Legal | Olu Idowu | |
| Finance | Toni Nash – Head of Corporate Finance | 17/11/2021 |
| Service Director(s) | Alison Parkin – Director of Financial Services | 18/11/2021 |
| Report sponsor | Simon Riley – Strategic Director Corporate Resources | |
| Other(s) | Ann Webster – Equalities Liz Moore – HR | |
| Background papers: | N/A | |
| List of appendices: | N/A | |