

Report to:	Cabinet	Date of Meeting:	24 June 2021
Subject:	Procurement of Annual Service Contracts for Highway Maintenance Works		
Report of:	Head of Highways and Public Protection	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Locality Services		
Is this a Key Decision:	Yes	Included in Forward Plan:	No Rule 27 agreed
Exempt / Confidential Report:	No		

Summary:

To seek approval for the procurement of Annual Service Contracts for Highway Maintenance Work to begin in July 2022.

Recommendation(s):

- (1) the procurement of the Annual Service Contracts for Highway Maintenance Work be agreed based on the specifications referred to in paragraph 2.6 of the report;
- (2) the Head of Highways & Public Protection be authorised to approve the Short List of Tenderers for each Contract subject to the appropriate review of the Pre-Qualification Questionnaire;
- (3) the tenders be evaluated using the evaluation criteria set out in paragraph 2.4 of the report;
- (4) the Head of Highways & Public Protection be authorised, in consultation with Legal Services and Cabinet Member Locality Services, to award the Contracts to the highest scoring Tenderer; and
- (5) it be noted that the proposal was a Key Decision but had not been included in the Council's Forward Plan of Key Decisions. Consequently, the Leader of the Council and the Chair of the Overview and Scrutiny Committee (Regeneration and Skills) had been consulted under Rule 27 of the Access to Information Procedure Rules of the Constitution, to the decision being made by Cabinet as a matter of urgency on the basis that it was impracticable to defer the decision until the commencement of the next Forward Plan in order that the most cost effective method of extending the contract could be utilised without further delay.

Reasons for the Recommendation(s):

The existing Annual Service Contracts for a number of Highway Maintenance Works are due to expire in July 2022. The Anticipated Scope of Works that are likely to be delivered under the Contracts are of sufficient value that Cabinet approval is required.

Alternative Options Considered and Rejected:

There are optional annual extensions, for up to four years beyond the core contract period, built into each of the existing contracts. The Council could decide to grant the extensions however this would result in price increases in-line with the provisions set out in the contract, whereas testing the market may produce savings and/or innovation.

What will it cost and how will it be financed?

(A) Revenue Costs

None. The cost of works awarded under tender will be to the level of annual budget as agreed by Council.

(B) Capital Costs

All the Works delivered using the Term Maintenance Contracts will be funded from the allocations in the Transportation Capital Programme

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):	
Legal Implications:	
Any legal implications are incorporated in the report	
Equality Implications:	
There are no equality implications.	
Climate Emergency Implications:	
The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y/
Highway maintenance tender documents will encourage innovation in materials and processes to reduce environmental impact. It is hoped therefore, that the contracts can have a positive impact however without the required certainty, a neutral impact assessment has been made above	

Contribution to the Council’s Core Purpose:

Protect the most vulnerable: not applicable

Facilitate confident and resilient communities: not applicable
Commission, broker and provide core services: Facilitate the maintenance of highway infrastructure
Place – leadership and influencer: not applicable
Drivers of change and reform: not applicable
Facilitate sustainable economic prosperity:
Greater income for social investment: Facilitate the maintenance of highway infrastructure
Cleaner Greener: not applicable

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6381/21) and the Chief Legal and Democratic Officer (LD.4582/21) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Not applicable

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting

Contact Officer:	Graham Lymbery
Telephone Number:	Tel: 0151 934 4175
Email Address:	graham.lymbery@sefton.gov.uk

Appendices:

There are no appendices to this report

Background Papers:

There are no background papers available for inspection.

1.0 Introduction

- 1.1 On 26th March 2015 Cabinet Approved a Procurement Strategy for the setting up of 10 Annual Service Contracts (ASC) covering Highway related activities. This exercise was subsequently completed, Contractors appointed and Contracts formally established. These contracts are currently in operation with an initial expiry date of July 2022.
- 1.2 All the contracts were awarded for a core period of 6 years (2016 – 2022) with a possible extension for up to a further 4 years (2022 – 2026).
- 1.3 On 28th February 2019, Council agreed to offer each of the successful and incumbent contractors the opportunity to secure the full 4-year contract extension (2022 – 2026) in exchange for a 10% reduction in tendered rates, with the intention of securing revenue savings on each of the contracts. In anticipation of these savings, Council reduced the Highway Maintenance budget by £0.500m.
- 1.4 This offer was duly made to the contractors for each of the contracts (HM1 to HM11 inclusive). Of these, the offer was accepted for the following contracts:
 - HM2 – Road Markings,
 - HM3 – Weed Control,
 - HM4 – Signs & Guardrails,
 - HM5 – Grounds maintenance,
 - HM6 – Gullies and
 - HM9 – Minor Works
- 1.5 All of these contracts were therefore extended with the deeds of variation legally sealed. The Council has benefitted from the 10% saving on these contracts since April 2019 and will continue to do so until the contracts expire in 2026.
- 1.6 In April 2021, following discussion with Cabinet Member, a renewed proposal was presented to those contractors who had not yet agreed a price reduction in return for the contract extension, offering a two-year extension in exchange for a 10% reduction in tendered rates. This was to acknowledge that two years of savings have been lost since the original offer
- 1.7 As a result, the revised offer has been accepted on contract HM1 – Carriageway Resurfacing. The deed of variation is currently being processed which will extend this contract until July 2024
- 1.8 There have therefore been no savings achieved in the remaining contracts:
 - HM8 – Surface Treatments,
 - HM10 – Highway Maintenance and
 - HM11 – Pumping Station maintenance
- 1.9 None of the contracts identified in paragraph 1.8 have delivered any savings, yet the projected savings (had the 10% reduction offer been implemented) have been deducted from revenue budgets. Effectively, the spending power within these budgets has decreased as the budgets have reduced but the contract rates have not. It is proposed therefore to undertake a procurement exercise for the contracts

to test the market and seek the most effective rates possible to the benefit of the Council

- 1.10 As the process of advertising notice of tenders, shortlisting, assessing tenders returns and acting upon TUPE (where appropriate) can be time consuming it is intended to substantially complete the tender exercise during 2021, so that the new contractors are appointed, and can make the appropriate provision prior to the Contracts becoming live in July 2022.

2.0 Proposed Tender Process

- 2.1 It is proposed to seek tenders from suitably qualified contactors to deliver the following Contracts:

HM8 Surface Treatments
HM10 Highway Maintenance
HM11 Pumping Station Maintenance

- 2.2 One notice will be placed in the 'Find a Tender' Service, the UK's new notification service, inviting companies to express an interest in the one of more of the Lots.
- 2.3 Prospective contractors will then be required to complete a Selection Questionnaire. This will assess the contractor's financial standing and their relevant experience. A panel made up of officers from Transportation & Highway Infrastructure, Procurement and Finance will assess the responses to the questions set out in the tender documentation for each of the Term maintenance Contracts and scores will be allocated to each contractor. Following this exercise, a short list will be established for each contract.
- 2.4 Short listed Contractors will then be invited to submit a tender. These will be assessed on a price/quality basis in the ratio 80% price/20% quality in which Social Value will be assessed. The Panel described above will assess and score the responses to the quality questions.
- 2.5 Due to the nature of the works the contracts have been priced as Schedules of Rates. Typical baskets of works will be developed for each contract to reflect the likely nature and volume of works to be undertaken. These baskets of work will be used to calculate a value of works for use in the assessment process for each contract. These baskets will be verified by Procurement and Finance.
- 2.6 The specification for each contract will be based upon 'Specification for Highway Works', as Volume 1 of the Manual of Contract Documents for Highway Works. These were adopted in the contracts currently being operated and were modified to include any specific local requirements.
- 2.7 An assessment of the operation of each of the current contracts is ongoing to determine the scope of any changes required to the Schedules of Rates and associated specifications to ensure that the contracts meet the Council's current and future requirements.

2.8 The value of each contract will be dependant upon the volume of work being delivered based on available revenue and capital budgets. As a guide, the annual spend for each contract in 2019/20 was as follows;

HM8 Surface Treatments £680,000
HM10 Highway Maintenance £1,500,000
HM11 Pumping Station Maintenance £262,000

2.9 A basket of works based on an historical average volume of work for a typical year will be produced by engineers and held securely by the procurement team. Analysis of tenders will include checking all schedule of rates items for any anomalies and the assessment of the pricing element of the tender analysis will be based on pricing against the basket of works using the submitted schedule of rates

2.10 This assessment will allow a financial score to be made and hence a combined price/quality score to be allocated to each Contractor

2.11 It is proposed that this Contract is awarded to one contractor for each of the Service Contracts with one reserve contractor, in case of poor performance by the primary contractor. The contracts would again be awarded based on a six-year core period and optional annual extensions up to 4 years beyond the core period.