

## CABINET

18 January 2017

**Subject Heading:**

Award of the Reactive & Planned Highway Maintenance and Construction of Improvement Schemes Contract and the Maintenance, Repair and Replacement of Street Lighting, Other Illuminated Signs and Associated Electrical Equipment Contract

**Cabinet Member:**

Councillor Osman Dervish  
Environment, Regulatory Services & Community Safety

**CMT Lead:**

Steve Moore  
Director of Neighbourhoods

**Report Author and contact details:**

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**Policy context:**

Maintaining the Boroughs Highway Assets are key Administration priorities. The London Borough of Havering, in its capacity as the Highway Authority, has a statutory duty to maintain the public highway (Highways Act 1980 s41)

**Financial summary:**

Awarding the contracts in line with the recommendations below represents the most economically advantageous option to the authority in ensuring best value. The Reactive and Planned Highway Maintenance and Construction of Improvement Schemes Contract have an estimated value of up to £83,000,000.00 for both London Borough of Havering and London Borough of Barking and Dagenham Council. The contract value for Havering is up to £43,000,000.00. The Maintenance, Repair and Replacement of Street Lighting, Other Illuminated Signs and Associated Equipment Contract have an estimated value of £14,000,000.00 for both London Borough of Havering and

	London Borough of Barking and Dagenham Councils. The contract value for Havering is up to £7,000,000.00. The actual expenditure is dependent on works incurred during the term of the Contract and values have been based on expenditure in previous years.
<b>Is this a Key Decision?</b>	Yes (a) Expenditure of £500,000 or more (c) Significant effect on two or more Wards
<b>When should this matter be reviewed?</b>	<b>January 2018</b>
<b>Reviewing OSC:</b>	Environment

**The subject matter of this report deals with the following Council Objectives**

Havering will be clean and its environment will be cared for	[X]
People will be safe, in their homes and in the community	[X]
Residents will be proud to live in Havering	[X]

**SUMMARY**

Maintaining and improving the borough's roads, footways and street lighting is a key Administration priority directly linked to providing a clean and safe borough. The Corporate Plan includes specific commitments to maintain and clean our roads, pavements and town centres and also improve street lighting to reduce the fear of crime. This report sets out the outcomes of the recent joint tendering exercise completed with London Borough of Barking & Dagenham for a term contract of five years with the option to extend for a further two years for the Reactive & Planned Highway Maintenance and Construction of Improvement Schemes Contract and the Maintenance Contract and the Repair and Replacement of Street Lighting, Other Illuminated Signs and Associated Electrical Equipment Contract.

**RECOMMENDATIONS**

Following a joint procurement exercise with London Borough of Barking and Dagenham, Cabinet members are asked to:

1. Approve the award of the Reactive & Planned Highway Maintenance and Construction of Improvement Schemes Contract to the successful bidder, Marlborough

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Surfacing Ltd (company registration number 02765630) for the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2022.

2. Approve the delegation of authority to the Director of Neighbourhoods to exercise the option to extend the Reactive & Planned Highway Maintenance and Construction of Improvement Schemes Contract for a further two years as permitted under contract beyond March 2022, subject to satisfactory performance.

3. Approve the award of the Repair and Replacement of Street Lighting, Other Illuminated Signs and Associated Electrical Equipment Contract to Volker Highways Ltd (company registration number 638559) for the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2022.

4. Approve the delegation of authority to the Director of Neighbourhoods to exercise the option to extend the Repair and Replacement of Street Lighting, Other Illuminated Signs and Associated Electrical Equipment Contract for a further two years as permitted under the contract beyond March 2022, subject to satisfactory performance.

### **REPORT DETAIL**

#### Background and Strategy

The Council's current Highway and Street Lighting maintenance contracts are due to expire on 31<sup>st</sup> March 2017. Approval was sought to start the tendering process for these two contracts by way of notice of a non-key executive decision dated 21<sup>st</sup> January 2016.

Following this decision, officers have sought to engage in greater collaborative working with Havering's existing partner, the London Borough of Barking and Dagenham.

A joint operational working group was set up for Highways and Street Lighting with representatives of both boroughs to explore procurement options.

The operational working group was supported by OneSource's procurement team with regular support from OneSource Legal, HR, Finance and other support services. Independent Consultants with relevant experience and knowledge of Highways Maintenance and Street Lighting contracts were engaged by London Borough of Havering and London Borough of Barking and Dagenham in order to deliver a suitable combined specification for both the Highways and Street Lighting works.

#### Procurement Process

The procurement process has been undertaken with due regard for longer term value for money being delivered and to ensure costs are contained during these times of austerity, resulting in an evaluation of 70% price and 30% quality.

The tender exercise was carried out in accordance with European and UK procurement law and the Council's Contract Procedures Rules. Adverts of contract notice were placed in the

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Official Journal of the European Union (OJEU) on 31<sup>st</sup> October 2016 requesting expressions of interest from prospective suppliers.

Following the Initial Expression of interest some twenty Highways contractors sought an interest in the Highways Maintenance contract, along with twenty Street Lighting contractors seeking an interest in the Street Lighting contract.

The evaluation panel consisted of Officers from the London Borough of Havering and the London Borough of Barking and Dagenham.

Contract documentation and detailed specifications were made available to all contractors along with a financial evaluation model via capitalEsourcing and the closing date for all submission of tenders was set at the 28th November 2016.

The “Highways” evaluation pricing model consisted of the following:

**Highways Pricing Evaluation Model**

Carriageway Grip fibre

Carriageway Patching A - HRA

Carriageway Patching B - AC

Road Marking

Footway Works

Carriageway Resurfacing

Footway Slurry

Traffic Improvement Schemes

Traffic Management for Resurfacing Works

Tenders were received back from three bidders.

The table below shows the results for Highways, as submitted:

Evaluation of schedule Highways Term Contract	Evaluation Model
Company	Amount
Contractor 1	£ 4,794,616.87
Contractor 2	£ 6,652,682.13
Contractor 3	£ 6,987,695.00

**Highways Contract Specification**

Contained within the Highways schedule of rates pricing document are a number of regular items / works that have been undertaken over the last financial year which resulted in a greater weighted value when finalising the returned tenders. Such works range from Footways renewals, slurry seal, carriageway patching, carriageway resurfacing, specialist surfacing (including anti-skid and coloured surfacing) surface dressing, road markings, street furniture (including bollards), traffic calming and road safety schemes.

The evaluation model is used for comparison of costs to undertake works and shows which contractor is the cheapest based an estimate of annual works that may be undertaken by both Boroughs. The total values shown are not the annual financial cost of the contract, but merely show a comparison of how much it would cost for each contractor to carry out exactly the same works on site.

The actual value of any works carried out within LBH is completely dependent upon existing budgets.

**Street Lighting Contract Specification**

Contained within the Street Lighting schedule of rates pricing document are a number of regular items / works that have been undertaken over the last financial year which resulted in greater weighted value when finalising the returned tenders. In addition, officers considered that the best form of delivery was to ensure that the contractor provided a fixed sum for an acceptable performance level of maintaining the borough's lighting stock "in light", ensuring that the fear of crime is contained to a minimum.

Officers sought tendered rates on the total inclusive "in Light" performance of 99%, 98% and 97% respectively.

The "In light" schedule includes all labour, plant and materials. It also includes such works as bulk clean and change, structural testing and electrical testing. There is a further price list / schedule of rates for works that are not included in the "In light" schedule.

**The Street Lighting evaluation pricing model consisted of the following:**

**Lighting Pricing Model**

General Maintenance Street Lighting And Signs

Traffic Signs & Bollards

Road Lighting Columns & Brackets

Electrical work for Road Lighting and Traffic Signs ( based on 7 day response )

Maintaining Painting of Steel Work

The pricing was weighted so that the more popular products carried a higher weighting, the purpose of this was to ensure that a balance was achieved between the weighted values of the most and least popular items being purchased.

Completed tenders were received from three companies,

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The verification of Price List and Evaluation Pricing Model was undertaken by officers from the London Borough of Havering and London Borough of Barking & Dagenham.

The table below shows the results for Street lighting, as submitted:

Evaluation of schedule Highways Term Contract	Evaluation Model
Company	Amount
Contractor 1	£ 1,807,015.75
Contractor 2	£ 1,925,140.39
Contractor 3	£ 2,236,595.90

The evaluation model is used for comparison of costs to undertake works and shows which contractor is the cheapest based an estimate of annual works that may be undertaken by both Boroughs. The total values shown are not the annual financial cost of the contract, but merely show a comparison of how much it would cost for each contractor to carry out exactly the same works on site.

The actual value of any works carried out within LBH is completely dependent upon existing budgets.

**REASONS AND OPTIONS**

The London Borough of Havering, in its capacity as the Highway Authority, has a statutory duty to maintain the public highway (Highways Act 1980 s41) ensuring that it is in a safe and passable condition and is maintained to an acceptable standard.

Both the Highways and Street Lighting contracts will provide the support and maintenance needs for both London Borough of Havering and London Borough of Barking & Dagenham in both Highways and Street Lighting related works following extensive collaborative working to ensure that the best fit specification delivers against both borough's key Administration requirements.

**Reasons for the decision:**

The Highways and Street lighting contracts have been extended and the extension periods are nearing their end dates of 31<sup>st</sup> March 2017.

This tendering process secures new contracts that will deliver value for money for the next five years with the option to extend for a further two years if required.

**Other options considered:**

Tendering both the Highways and Street Lighting contracts separately was considered, however the purchasing power of 2 large scale contracts through collaboration with the

London Borough of Barking & Dagenham was considered to represent better value for money, especially during times of austerity.

Utilising a Framework agreement was also considered but this only provided a contract over a period of 4 years. A contract with a longer term would be the preferred option to incorporate leasing agreements and capital investments being spread over a longer period to keep tendered prices down.

## **IMPLICATIONS AND RISKS**

Having followed the full European Procurement route and communicating in a fair and transparent manner to all contractors throughout this process, any risk associated with this procurement have been mitigated.

Financial checks have been undertaken of each contractor to ensure suitability and financial stability for the duration of these contracts.

Both the current Highways and Street Lighting contracts are already externalised with contract management arrangements in place. Continuation of these arrangements will ensure that future contract risks are contained whilst building upon the current levels of experience.

Failure to appoint the successful contractors for these contracts would leave the London Borough of Havering "Out of Contract" from 1st April 2017. This would increase the risk of both higher charges being applied and delays in progressing works related to Highway and Street Lighting maintenance works, ultimately resulting in the risk of increased claims against the Council arising from accidents.

### **Financial implications and risks:**

The tender evaluation was based upon a sample of items from the schedule of rates for a joint London Borough of Havering and London Borough of Barking and Dagenham procurement exercise. Comparing the evaluation model total sum from the winning tenderer's rates and the rates from the current highways maintenance contractor shows a 32% reduction. This percentage reduction is only true for the evaluation model. However the rates used in the model are reflective of the majority of works carried out over the previous contractual term. If the demands for Highways works remains the same for the new term contract then savings will be achievable. At this stage there is no indication that the profiling of works activity will fundamentally change. The actual spend on Reactive and Planned maintenance through the Highways contract within London Borough of Havering is approximately £5million per annum (inclusive of externally funded Capital schemes, i.e. LIP schemes)

The tender evaluation for the Street Lighting element has also been based upon a sample of items taken from the schedule of rates for this joint London Borough tender. The winning tender rates used in the tender evaluation model were compared against the current Street Lighting contractors which show a reduction based upon previous contract rates. The actual

spend on the Street Lighting contract on average within London Borough of Havering is £2.6million per annum.

An annual increase of the schedule of rates will be applied to both contracts on the 1<sup>st</sup> April from 2018 onwards for the duration of the contract. The annual increase is calculated using Index figures (Construction Indices) compiled by the Officer of the Deputy Prime Minister and the Regions and published by The Stationery Office in the "Bulletin of Construction Indices.

**Legal implications and risks:**

The term of the contract is for 5 years with the option to extend for a further two years, contracts are to commence 1<sup>st</sup> April 2017. The estimated value of the Contracts for both London Borough of Havering and London Borough of Barking and Dagenham Councils are as follows:

1. For the Reactive and Planned Highway Maintenance and Construction of Improvement Schemes Contract the estimated value is up to £83,000,000.00.
2. For the Maintenance, Repair and Replacement of Street Lighting, Other Illuminated Signs and Associated Equipment Contract the estimated value is up to £14,000,000.00.

Estimated costs for London Borough of Havering are:

1. Up to £43,000,000.00 for the Reactive and Planned Highway Maintenance and Construction of Improvement Schemes Contract.
2. Up to £7,000,000.00 for the Maintenance, Repair and Replacement of Street Lighting, Other Illuminated Signs and Associated Equipment Contract.

As such values exceed the EU threshold for supply/services of £164,176.00 an Open Procedure for the procurement of these contracts has been followed by both Councils. An OJEU contract notice was placed on the 31<sup>st</sup> October 2016.

Bids have been received and successful bidders have been identified by way of evaluation based on the evaluation criterion as set by the Council's Contract Procedures 18.4, "Tenders will be evaluated against pre-determined best price-quality ratio of 70% cost and 30% quality weighting".

The Council are under a statutory duty to maintain the Highway at public expense, section 41 Highways Act 1980. Where the Council has provided Street Lighting as permitted under section 97 of the same Highways Act 1980 the Council is required to keep such lights in safe condition. The Council may be exposed to the possibility of actions for breach of statutory duty if it fails to maintain the Highway.

The Procurement of these Contracts has complied with both the Council's Contract Procedure Rules and the EU competitive legislation, The Public Contract Regulations 2015.

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The Contract Data has been put together with the engagement of independent consultants; one for the London Borough of Havering and another for the London Borough of Barking and Dagenham with expertise in the said areas covered by the contracts and Legal Services.

The Contract value exceeds £150,000 therefore, in accordance with Contract Procedure Rule 17.1 the Contracts will need to be submitted to Legal Services for review.

### **Human Resources implications and risks:**

There are no HR implications or risks arising directly as a result of this report.

### **Equalities implications and risks:**

The Council recognises that there can be no fair society if some groups remain disadvantaged because of their protected characteristics. This also applies to how we provide our services either directly or when we procure them from elsewhere. We expect suppliers who provide goods and services on our behalf to adhere to the same principles. Compliance with the Public Sector Equality Duty helps the Council to ensure that the goods and services we procure are fit for purpose and meet the needs of our users

Incorporating equality outcomes, where relevant and in a proportionate way is integral to the way in which the Council procures services. It is important that they are considered prior to any procurement process This will help identify the specific needs of different potential users allow them to be appropriately reflected in the process so as to buy better outcomes for services and the council.

**BACKGROUND PAPERS**

None