



**Haringey Council**

<b>Report for:</b>	<b>Cabinet 18 June 2013</b>	<b>Item Number:</b>	
--------------------	---------------------------------	-------------------------	--

<b>Title:</b>	<b>Future provision of Highways and Street Lighting Works</b>
---------------	---------------------------------------------------------------

<b>Report Authorised by:</b>	<b>Lyn Garner, Director of Place and Sustainability</b>
----------------------------------	---------------------------------------------------------

<b>Lead Officer:</b>	<b>Ann Cunningham, Head of Traffic Management, Place &amp; Sustainability Graham Jones, Single Frontline, Place and Sustainability</b>
----------------------	------------------------------------------------------------------------------------------------------------------------------------------------

<b>Ward(s) affected: ALL</b>	<b>Report for: Key Decision</b>
------------------------------	---------------------------------

**1. Describe the issue under consideration**

- 1.1 The Council's current highways and street lighting term maintenance contracts with Volker Highways expire at the end of June 2013. The Council has a number of options; to re-procure, to extend the term of the current contracts, to enter into a call-off contract against the London Highway Alliance Contract (LoHAC) which has been procured by Transport for London, or to engage in a combination of LoHAC and an extension of the current term contract. This report evaluates these options and recommends a way forward.
- 1.2 Transport for London have announced that LIP schemes costing more than £250,000 should be implemented using the LoHAC Framework Contract (the "LoHAC Framework") unless a borough can demonstrate that its contractor can provide better value for money. These schemes, which include Green Lanes, will therefore have to be let under LoHAC unless existing arrangements offer better value for money. Analysis of the cost comparison (contained in Appendix B Exempt Information) indicates that LoHAC provides

cost savings for the Green Lanes scheme. The Council therefore needs to call off from the LoHAC Framework for this scheme.

## **2. Cabinet Member Introduction**

- 2.1 This report recommends signing up to the London Highways Alliance Contract (LoHAC) procured by Transport for London (TfL) to deliver the Council's planned and reactive works for Highways and Street Lighting. This will allow the Capital Works included in the 2013/14 Sustainable Transport Works Plan to be delivered together with a 3 year programme of highways and street lighting maintenance. The 2013/14 sustainable transport programme represents an investment of over £16m, double the amount invested in 2012/13, with the majority of the works components delivered through this contract. The LoHAC contracts provide substantial savings when compared to our current term maintenance contractor, enabling Haringey to achieve far more works for the same investment. Additionally this contract will deliver the £100k of pre-agreed revenue savings in the 2013/14 budget.

In addition to the financial benefits, the LoHAC contracts include a number of commitments to the workforce, job creation and safety.

I am particularly pleased by the obligations to create one local apprentice or the equivalent in staff training, for every £3m spent through the framework and the commitment to pay employees, as a minimum, the London Living Wage. Safety measures include a requirement for contractors to fit blind-spot warning devices to all heavy goods vehicles, protecting the safety of pedestrians and cyclists.

## **3. Recommendations**

Cabinet approves:

- 3.1 That a contract is entered into with Ringway Jacobs, the LoHAC contractor for the North East sector which allows call offs to be made for highways and street lighting works over the 8 year term of the LoHAC Framework.
- 3.2 That a call-off contract under the LoHAC Framework for the Green Lanes Corridor Scheme is entered into.
- 3.3 That call-off contracts under the LoHAC Framework for term maintenance and planned schemes for highways and street lighting are entered into as follows;
- (i) A one year call-off to deliver the Sustainable Transport Works Plan and planned works for 2013/14.
  - (ii) A three year call-off for reactive highways works.

- (iii) A three year call-off for street lighting maintenance and gully cleansing.
- 3.4 That the Cabinet Member for the Environment is granted delegated authority to finalise additional call-offs under the LoHAC Framework for the OLF Public Realm Improvements in Green Lanes and the TfL funded Major Scheme improvements in Wood Green High Road.

#### 4. Other options considered

- 4.1 The Sustainable Transport Works Plan for 2013/14 (also being presented to Cabinet in a separate report) proposes an investment of more than £16m on sustainable transport works.
- 4.2 Haringey's current term maintenance contracts with Volker Highways expire at the end of June 2013, so a decision on how to deliver the 2013/14 plan in the most efficient way needs to be made.
- 4.3 In late 2012 TfL announced the successful contractors appointed to the London Highways Alliance Contract (LoHAC). LoHAC created four regions in London where the appointed contractor for that region would provide maintenance services on the TfL Road Network and also be available to London Boroughs within the region to call off works. Haringey therefore has this additional option to consider.
- 4.4 Haringey is in the North East LoHAC Region with Enfield, Waltham Forest, Barking & Dagenham, Havering and Redbridge. The successful contractor for the North East Region is Ringway Jacobs.
- 4.5 Initially the following five different options were considered:
1. Re-procure the service.
  2. Extend the existing contracts with Volker but negotiate discounts on rates and improved performance measures.
  3. Enter into the LoHAC Framework for all works.
  4. Enter into the LoHAC Framework for one year and re-procure the service for the second year onwards.
  5. Use a combination of Volker by extending and LoHAC.
- 4.6 Transport for London (TfL) have also now instructed London Boroughs in receipt of LIP funding from 2013/14 that they must use the LoHAC Framework for schemes costing over £250,000 unless they can demonstrate that their own contractor would provide better value for money. This means that the Council would have to call-off the LoHAC Framework even if it was only for these schemes. In 2013/14 this criteria would cover three planned schemes – Green Lanes improvements (value £700,000), Warwick Gardens Community Streets and the commencement of the Wood Green major scheme.

4.7 Taking into account the instruction from TfL, which means that some works would have to be let through LoHAC, and the objectives outlined above an assessment refined the options, which were:

1. Extend the existing contracts but seeking reductions in prices as well as improved performance plus calling off under the LoHAC Framework for LIP schemes over £250,000.
2. Use the LoHAC Framework exclusively.
3. Use the LoHAC Framework in the medium term but procuring new contracts after one year.

4.8 These options were assessed against the following objectives :

**Quality – A First Class Service**

All works delivered in Haringey should be of the required quality, measured by:

- Accuracy – Works completed to specification and right first time.
- Timeliness of delivery – Works completed to the expected timescale.
- Health and Safety procedures followed.
- Consideration of the Public, reducing inconvenience for pedestrians and road users.
- Sustainability and Environmental Considerations.

All Quality aspects should be reflected and monitored against Key Performance Indicators contractually agreed.

**Value for Money**

Any new arrangements for the delivery of Highways services must be able to demonstrate that Value for Money is being achieved.

**Cost Savings**

Pressures on all Council budgets mean that we should be seeking to achieve reductions in spend in all aspects of service delivery.

**Flexibility**

Any new contract arrangements should include flexibility to adapt to changes and a joint partnership working approach where both the client and the contractor work together to continually review quality and cost to ensure best value is being achieved.

4.9 Each of these options was then assessed on grounds of price (comparing the price of works and reactive maintenance service), cost (the overall cost of the option in terms of procurement or resources needed to implement the option), quality and flexibility. The details of this assessment are set out in the Appendix 3. The outcome of the assessment is to recommend that the LoHAC Framework should be used for all TfL LIP funded schemes for 2013/14 and also term maintenance and planned works from 1 July 2013 when our existing contract ends.

The summary of the assessment was:

- Quality – A Quality threshold was part of the TfL procurement process and the contracts include comprehensive performance indicators which will be monitored by a pan-London LoHAC board. Failure to achieve KPI's will result in reductions to the 8 year framework term. The Performance Indicators against which performance will be measured are included in Appendix 3.
- Cost – An analysis of cost comparisons showed that the council could make substantial savings. Cost comparisons have indicated that cost savings of a minimum of 10% can be expected.
- Value for Money – TfL have chosen the framework suppliers through a competitive OJEU procurement. Haringey can take advantage of the LoHAC Framework with minimal procurement costs. This saving in addition to cost savings available through the LoHAC Framework offers the council maximum value for money.
- Flexibility – Joining the LoHAC Framework does not commit the council to any minimum spend or timescale commitments. The council would be free to use the LoHAC Framework as and when required throughout the 8 year term, therefore providing excellent flexibility.

4.10 Results of this assessment are included in Appendix 3, but in summary were:

Option	Score /100
Join TfL Alliance from 1 July 2013 for all works	80
Combination of Volker and TfL Alliance	64
Go with LoHAC for one year then re-procure	76

## 5. Background information

5.1 The existing highways and street lighting contracts were procured towards the end of 2008 and commenced on 1<sup>st</sup> July 2009. Both contracts were for a 4 year period with the option to extend, in one year extensions, up to a further four years. The highways contract covers all types of highways maintenance including planned works such as carriageway resurfacing, relaying footways, traffic management schemes, reactive highways maintenance and gully cleansing. The street lighting contract covers all lighting schemes, illuminated signs and bollards, ducting and reactive street lighting on a lump sum basis. Both contracts were awarded to VolkerHighways following a competitive tendering process. VolkerHighways were previously Crowleys and before that Gabriels and thus have been the council's highways contractor for about 20 years.

5.2 The annual full year spends under this contract are set out in the following table:

	Spend 2009/10 £ 000s	Spend 2010/11 £000s	Spend 2011/12 £000s	Forecast Spend 2012/13 £00s
Highways Contract	8,307	7,697	5,321	5,173
Street Lighting contract	1,137	1,017	1,188	1,060
Total	9,444	8,714	6,509	6,233

### Background to the London Highways Alliance Contracts (LoHAC)

- 5.3 In 2010 TfL and the London Boroughs began the procurement process for pan London Highways contracts, with the aim of reducing costs through the use of:
- common specifications;
  - economies of scale across 4 contract areas in London;
  - contractual obligations for year on year savings;
  - London Living Wage agreements; and
  - open book accounting by 2015.
- 5.4 The procurement process was managed by TfL with the close cooperation of the London Boroughs. Haringey originally seconded its Highways Assets Manager to the project team until this post was deleted as part of the Single Frontline Restructure. Haringey has incurred no direct procurement costs.
- 5.5 Tenders were invited in early 2012 and jointly evaluated in August and September 2012. The frameworks are for 8 years from April 2013 to March 2022. This period can be reduced if performance is below the standards set in the Performance Indicators. The successful bid for the North East sub-region that includes the London Borough of Haringey came from Ringway Jacobs. Tender evaluation scores are set out in Appendix 4. Evaluation of the bid showed savings of between 10% and 15% on typical Haringey schemes could be achieved. Examples are set out in Exempt Appendix B.
- 5.6 The highest savings are likely on the larger capital schemes which would help the capital allocation for planned carriageway and footway replacements, meaning that more of these schemes could be completed.
- 5.7 Over the last two years £150,000 of savings have been made from the reactive highways maintenance budget. In addition, the council has already agreed revenue savings of a further £100,000 from the highways maintenance budget from 2013/14. It is therefore essential to have contract arrangements in place that ensure that these savings do not reduce the level or quality of service and that pre-agreed cost savings can be made.
- 5.8 There is an inbuilt mechanism to the LoHAC Framework arrangements for there to be increasing discounts to local authorities as the volume of works going through

the contract increases.

- 5.9 The Council can join the LoHAC Framework by signing a "call-off" contract which does not commit the Council to any expenditure through the contract. This would open up the LoHAC Framework for use for any period of time up to 8 years. In order to call off under the LoHAC Framework the Council would need to complete a "call-off" request form which details which elements of the call-off contract which the Council wishes to use from the menu of options available. Maximum pricing will be based on the Schedule of Rates agreed with TfL during the procurement process but additional discounts may be available by individual negotiation for fixed price work.
- 5.10 There are a number of features of the contract which will meet the Council's objectives towards employment and environment. These include:
1. Recruiting apprentices: one apprentice to be employed for each £3m of spend.
  2. Fitting vehicles with cyclist protection devices.
  3. Extensive range of Performance Indicators (included in Appendix 3), including:
    - All vehicles to meet the Euro standards for low emissions.
    - Percentage of waste reused or recycled.
    - Percentage recycled and/or green products procured.
- 5.11 The LoHAC Framework is for a period of 8 years. The justification for the duration for the framework exceeding four years has been set out in the OJEU notice as follows: "The intention of the framework agreements is to stimulate competition and provide an opportunity for economic operators to offer exceptional value for money and efficient delivery of the required works. It is acknowledged that there are potentially significant start up costs, investment in capital equipment, plant and systems. Having consulted with the trade association and a number of economic operators it has been determined that the optimum period to achieve best value is to set up a framework for 8 years. The 8 year duration will allow contracting authorities whose current contracts expire in the next few years to call-off the frameworks increasing the opportunity for more economic and, for expensive plant to be properly depreciated and for better value to be achieved when negotiating leases for required depots."
- 5.12 The form of call-off contract is the NEC3 Term Service Contract. Haringey is not obliged to order any works under this contract and may issue orders for highway and street lighting works as it feels appropriate. Haringey can stop using the LoHAC Framework at any time and is not obliged to remain in the LoHAC Framework for its duration.
- 5.13 Although the LoHAC Framework has been procured by TfL, the Council would have an individual contract with Ringway Jacobs. This also enables it to have its own performance requirements in addition to the ones set out in the contract. Haringey would be a member of the Area Board that governs the operation of the contract for the north-east sub-region. The boroughs in the north-east sub-region are Enfield, Haringey, Waltham Forest, Barking and Dagenham, Havering and

Redbridge. No other boroughs in the north-east sector have yet signed up to using the LoHAC Framework. As an early adopter, Haringey would have a significant influence in the governance of the new framework together with TfL.

- 5.14 The call off contract would be available for all Council services to use and can be used for works not on the highway (such as in Parks) and estates managed by Homes for Haringey. It also includes a Horticulture section. It would provide an alternative to procuring external contractors for schemes such as Tottenham Green and thus represents both a time and cost saving to the Council in this regard.
- 5.15 It is proposed to enter into a number of call off arrangements which would have different terms to enable maximum efficiencies. Call off 1 would be for the Green Lanes Corridor scheme and elements of the Green Lanes OLF scheme. This is because the corridor scheme is funded through the LIP by Transport for London and therefore falls into the category of works that should be delivered through LoHAC unless other arrangements offer better value for money.
- 5.16 The second call-off would relate to highways and street lighting term maintenance services and would be for a period of 3 years. This longer term allows for efficiencies especially around cyclical activities such as street lighting, where lamp replacement will be scheduled in a 3 year programme, and gully cleansing.

The Reactive Services will include:

Core services

Street lighting – cyclical activities

Emergency call out

Task Orders

Road Pavements

Kerbs, Footways and Paved Areas

Traffic Signs

Road Markings

Street Lighting

Fencing

Road Restraint Systems (including pedestrian guard railing)

Drainage

Earthworks

Street Cleansing (only gully cleansing – excluding sweeping and litter picking)

Bridges and Other Structures

Street Furniture (excluding signs, lighting columns and pedestrian guardrailing)

A separate Call Off is also proposed to deliver the 2013/14 Sustainable Transport Works Plan including planned carriageway and footway works. Haringey can benefit from additional discounts of 0.5% if this programme can be ordered in one Call Off.



The following items are also available to call-off which are currently provided in-house. This will allow flexibility in how services are delivered in the future and may offer additional cost savings:

- Safety inspections
- Service inspections
- Inspection of highway structures
- Site investigations and surveys
- Design services
- Civil Engineering Support Works for Traffic Signals and Control Equipment

## 6. BENEFITS

- 6.1 Tendered rates and prices represent a saving of at least 10% against existing contracts. This efficiency has been calculated using a model developed by TfL, which compared the rates in LoHAC against our current suppliers on a like for like basis.
- 6.2 Savings have been achieved through a cost focused procurement process (30:70 Quality: Price ratio). Inclusion of open book pricing principles, target costing, annual efficiency challenges and volume discounts also provide opportunities for further savings in future years.
- 6.3 Haringey has avoided the need to undertake its own procurement activity which would have cost in the region of £150,000.
- 6.4 The new LoHAC contractors will be keen to ensure that the first year of operation is successful in order to encourage other boroughs join the programme as their current contracts end. Haringey can be confident that the quality thresholds included in the contracts, together with the cost savings identified, will ensure that the 2013/14 Sustainability Transport Works Plan will be delivered efficiently, at high quality and with significant cost savings.
- 6.5 Non-financial benefits include:
  1. Highways maintenance delivered using a common specification, thus increasing contractor efficiency and simplifying contract management;
  2. A common specification simplifies ongoing asset management;
  3. The long term nature of this contract enables contractors to make the necessary resource investment to deliver lasting cost and quality improvements;
  4. Closer working relationships established between the London Boroughs and TfL leading to highways maintenance being delivered in a consistent manner across London;
  5. A requirement for contractors to appoint one local apprentice, or equivalent, per £3m spent through the framework;

6. The contractor must establish a complaints procedure relating to the Call-Off Contract and provide copies of the Contractor's records relating to complaints and the Contractor's responses;
7. A requirement to register the Contracts under the Considerate Constructors Scheme and to comply with the Considerate Constructors Scheme Code of Considerate Practice;
8. A requirement for contractors to join the Freight Operator Recognition Scheme and to fit blind-spot warning devices to heavy goods vehicles;
9. A requirement for contractors to identify possible sources of pollution and provide detail on how they will prevent and/or reduce them; and
10. A requirement to ensure that none of its employees and that none of the employees of its sub-contractors and indirect sub-contractors are paid an hourly wage (or equivalent hourly wage) less than the London Living Wage.

#### **7. Comments of the Chief Finance Officer and financial implications**

- 7.1 The Council's spend on Highways and Street Lighting is variable and includes both Council funded revenue and capital items, TfL and other grant funding. The budgeted spend for 2013/14 is predicted to be £20,547k on capital works and £1,845k for revenue works which includes GLA funded projects over and above the Sustainable Transport Work Plan. The revenue budget includes a pre-agreed saving of £100k from the highways maintenance budget.
- 7.2 Based on the scheme/job cost comparisons and the level and nature of highways spend the Council is expected to make, the LoHAC framework offers better value for money conservatively estimated to be between 10%-15% pa. This compares favourably to the maximum level of discount offered by the existing contractor.
- 7.3 Although less significant, utilising the LoHAC framework will incur minimal procurement costs which is estimated to save the Council a further £150k.

#### **8. Head of Legal Services and legal implications**

- 8.1 The procurement process for the LoHAC Framework was carried out in compliance with EU legislation and the Public Contract Regulations 2006 (as amended) following the publication of an OJEU notice which was published on 07/10/2011.
- 8.2 In order to use a framework a contracting authority must be immediately identifiable in the OJEU notice. Haringey Council is named in the OJEU notice therefore there are no legal reasons preventing the Council entering into call off contracts under the LoHAC Framework.

- 8.3 The LoHAC Framework is non-exclusive, therefore, the Council is not obliged to procure its highways and street lighting works under the LoHAC Framework.
- 8.4 The value of the call-off contracts to be entered into under the LoHAC Framework will exceed £250k therefore use of the LoHAC Framework and the award of the call-off contracts referred to in paragraph 3 may only be approved by Cabinet pursuant to CSO 9.07.1(d) .
- 8.5 The Head of Legal Services confirms that, there are no legal reasons preventing Members from approving the recommendations set out in paragraph 3 of the report.

### **9. Equalities and Community Cohesion Comments**

- 9.1 Equalities and diversity was considered as part of the TfL evaluation of tender bids.

### **10.Head of Procurement Comments**

- 10.1 TfL have appraised the Head of Procurement throughout the procurement process.
- 10.2 Economies of scale will increase as more boroughs join the framework at sub-regional level; therefore whilst Haringey will be the first borough in the North East sub-region to use the LoHAC framework, the Council could well enjoy further savings / benefits as the number of users increase.
- 10.3 A formal letter of contract termination will need to be issued to the current provider, and hence the Council is foregoing the option to extend the existing contract.
- 10.4 The LoHAC framework offers best value to the Council and introduces new levels of quality and performance.

### **11.Policy Implication**

- 11.1 This proposal is consistent with Council Policy of delivering Value for Money, robust, sustainable front line services.

### **12.Use of Appendices**

- 12.1 Appendix 1 – LoHAC Procurement Strategy
- 12.2 Appendix 2 – Key Contract Principles
- 12.3 Appendix 3 – Options Appraisal
- 12.4 Appendix 4 - Tender Process and Evaluation Results
- 12.5 Appendix 5 – Key Performance Information (KPI's)
- 12.6 Appendix B – Exempt Information

### **13.Local Government (Access to Information) Act 1985**

## APPENDIX 1

### Procurement Strategy

The Procurement Strategy was designed to encourage competition and provide opportunity for a wide range of bidders to be involved e.g. by forming consortia or joint ventures. Borough representatives were included in the design of the Strategy and the evaluation of tenders. Following publication of an OJEU notice the restricted tendering procedure was used in compliance with EU legislation and the Public Contracts Regulations 2006 (as amended).

The Strategy included:

- the four area-based LoHAC Framework Agreements will be eight year duration with call-off contracts able to be formed at any time during the duration of the Framework Agreements; and
- a process adopted to drive maximum value through the procurement through a multi stage evaluation process.

A rigorous pre qualification process assessed the generic capability of bidders to deliver the requirements.

Bidders were given a general briefing and individual meetings to ensure they fully understood the requirement.

Shortlisted tenders were evaluated in the traditional way based on an assessment of quality and financial aspects and an overall tender score awarded (using a quality: price ratio of 30:70). Scores in each framework area were ranked and the top two (or three) tenderers were invited to the next stage.

Tenderers who were shortlisted for multiple framework areas were given the opportunity to demonstrate their capacity and capability to deliver multiple "Lots". This approach allowed tenderers who were deemed capable of delivering multiple framework areas the opportunity to submit bids which demonstrated the financial benefit of delivering more than one framework area.

Tenderers successful in qualifying for multiple framework areas, plus those who were shortlisted for a single framework area were then invited to submit best and final offers (BAFOs).

At the BAFO stage, evaluation award of framework areas was based solely on which combination of shortlisted tenderers' financial submissions offered the best value for London. The BAFO stage was completed in August 2012.

## APPENDIX 2

### KEY CONTRACT PRINCIPLES

- The framework agreements contain the mechanism for call-off contracts to be formed. Each client will form their own call-off contract with the contractor. Neither other Boroughs or TfL will be party to the call-off nor will have any liabilities associated with each other's call-offs.
- Haringey will be able to set its own priorities and will have direct ownership of its own contract whilst benefiting from working in a collaborative environment with other boroughs within our area and having access to any innovation developed in other areas. The term of the Framework Agreements will be eight years to assure best value for money and efficient delivery of the works. There are barriers to entry due to potentially significant start up costs, investment in capital equipment, plant and systems. Through consultation with the market, it has been identified that a framework duration of longer than the normal four years is required to stimulate and enable effective competition and best value through optimum write off of investments. Additionally, it is the intention that boroughs will place call-offs for work as their existing contracts expire and opportunities arise in future years and a longer duration will facilitate this and enable best value through providing economically attractive call-offs for boroughs and the contractors.
- The conditions of the call-off contract are based on the NEC3 Term Services Contract, which has been amended to enable authorities to tailor the service provided by a supplier to their individual requirement and to incorporate lessons which have been learnt during the term of the existing contracts.
- The facility to move the delivery of core services from a series of individual works orders to a lump sum or from a lump sums to a single target cost has been built into the conditions of contract and a map for this transition included. One benefit of target costing is that both parties benefit through a share mechanism if actual costs come in lower than the pre-agreed target. Therefore there is clear incentive for the parties to work collaboratively to decrease costs. The terms of the contract allow migration from lump sum to target cost from April 2015 onwards.
- A contract reduction mechanism has been developed to incentivise the contractors to achieve five key performance indicators. Review of performance against these indicators will take place annually and failure to achieve the indicator targets will result in the duration of the framework agreement and all associated call-off contracts being reduced by six months. Performance on all clients' call-off contracts will be considered. The contractor will have the opportunity to win back these six months by improving their performance against the failing indicator(s) in the following year. Reduction of duration in two consecutive years gives the Boroughs the right to terminate.

- A volume rebate clause has been included in the contract to incentivise more Boroughs to join as the rebate increases in line with the volume of work procured through the framework.
- A requirement for contractors to appoint one local apprentice, or equivalent, per £3m spent through the framework.
- The contractor must establish a complaints procedure relating to the Call-Off Contract and provide copies of the Contractor's records relating to complaints and the Contractor's responses.
- A requirement to register the Contracts under the Considerate Constructors Scheme and to comply with the Considerate Constructors Scheme Code of Considerate Practice.
- A requirement for contractors to join the Freight Operator Recognition Scheme and to fit blind-spot warning devices to heavy goods vehicles.
- A requirement for contractors to identify possible sources of pollution and provide detail on how they will prevent and/or reduce them.
- A requirement to ensure that none of its employees and that none of the employees of its sub-contractors and indirect sub-contractors are paid an hourly wage (or equivalent hourly wage) less than the London Living Wage.

## APPENIX 3 OPTIONS APPRAISAL

### Highways Contract Updated Options Appraisal & Evaluation Criteria

Score	Weighted score	Price	Cost	Quality	Risk	Score	Weighted score	Total Score
4	32	<p><b>Join TfL Alliance from 1 July 2013 for all works</b></p> <p>Likely that overall rates will be competitive, showing an overall cost saving of 10% - 15%</p>	<p><b>Additional overhead admin costs and Change Management</b></p>	<p>Assume quality will be high. Contract mechanism should provide for quality. KPI's extensive. Option of efficiencies via target costing for schemes.</p>	<p>Transition arrangements. New contract to be mobilised - signage, branding etc. New NEC contracts. New working relationships to be developed. Training required. Changes to performance monitoring and IT requirements.</p>	4	16	80
2	16	<p>Scheme work as above. Reactive works likely to attract lower saving on existing rates</p>	<p>Overheads and change management slightly less but still significant. Overhead of managing two contracts</p>	<p>As above for higher value schemes/Lip funded works. Will allow a cost comparison to term maintenance rates, but reactive works will remain largely unchanged.</p>	<p>As above for all works placed through TfL contract. Additional risk of resource availability to manage 2 contracts.</p>	5	20	64
3	24	<p>1st year cost will be competitive. No guarantee that re-procurement will produce lower rates</p>	<p>Procurement costs £150k+. Internal cost for change in processes possibly incurred twice</p>	<p>Year 1 as option 1. Quality can be built into evaluation criteria for re-procurement</p>	<p>Large internal overhead to implement change of process twice. Transition arrangements, process, branding, changes to KPI's/contract terms</p>	4	16	76

**Scoring Mechanism - All scored 0-5**

**Price 40%** High Price 0, Low Price 5

**Cost 20%** High Price 0, Low Price 5

**Quality 20%** High Quality 5, Low Quality 0

**Risk 20%** High Risk 0, Low Risk 5

**Results Summary**

Option	Score/100
Join TfL Alliance from 1 July 2013 for all works	80
Combination of Volker and TfL Alliance	64
Go with LoHAC for one year then re-procure	76



## APPENDIX 4

### TENDER PROCESS AND EVALUATION RESULTS

TfL have summarised the tender process for the NE Region as follows;

The tender pre-selection process (pre-qualification) took place in December 2011. The following six bidders were subsequently invited to tender for the North East Area;

Ringway Jacobs Ltd  
Balfour Beatty Workplace  
Colas/Volker Highways/URS Scott Wilson JV  
Enterprise Mouchel  
MGWSP (May Gurney WSP)  
Costain J Murphy & Sons /Halcrow JV

Following initial evaluation (based upon the lowest priced combination of tenders which met quality thresholds) this list was revised down to the following three bidders:

Ringway Jacobs Ltd  
Colas Volker URS JV  
Enterprise Mouchel

Subsequent to this a "best and final offer" (BAFO) stage was completed driving additional value, with the resultant North East framework agreement awarded in November 2012 as follows:

North East Area – Ringway Jacobs Ltd

### Quality Evaluation Criteria including Ringway Jacobs Scoring

	Quality Award Criteria	Overall Weighting	Sub Criteria Weighting	Threshold	Page limit	Ringway Jacobs Scoring
<b>1</b>	<b>General Management of the Contract</b>					
1.1	Give details of how you intend to structure your management team to enable the successful delivery of this contract. A proposed organisational chart should be included. How will your proposed structure retain the flexibility to allow new call-offs to be easily included in the delivery of the framework? Indicate your proposed location of the framework's main depot, co-located offices and satellite infrastructure which will be used to deliver the framework.	35%	8%	40	10	74
1.2	Give details of you proposed Contractor Manager. What are his/ her experience, knowledge, skills and vision that will enable them to lead their workforce through a successful contract term.		2.5%	40	3	74
1.3	Provide a one page CV for the contract managers who will be managing the call-off contracts formed under the framework agreement. (We acknowledge that in the NE Lot this will only be one CV)		2.5%	40	1 per contract manager	77
1.4	Give an explanation of how you intend to balance the requirements of multiple employers each of which are likely to have differing priorities, whilst maximising the economy of scale opportunities that this framework presents.		7%	40	5	75
1.5	Describe how you will approach the complex process required to mobilise this framework. Details of how you will approach the TUPE transfer of staff should be included.		4%	40	4	76

1.6	Provide a resourced mobilisation programme including details of the activities which you believe are necessary to be completed to achieve a successful mobilisation. Demonstrate how the programme ensures continuity through mobilisation and post framework commencement. How will the resources used during mobilisation be assured as new employers join the framework?	4%	40	3+ mobilisation programme	72
1.7	Give details of your approach to managing the entire supply chain you require to deliver this contract. Give an indication of which services, if any, are likely to be delivered by subcontractors, details of those subcontractors and how any existing relationships with those subcontractors will add value when delivering this framework. Subcontractors include internal group companies. In addition, reference should be made to how consortium members (if applicable) will work together to deliver this contract. How will you proactively facilitate the inclusion of SMEs within the supply chain?	7%	40	5	74
2	<b>Approach to delivery</b>				
2.1	Give details of how you will ensure the capture and timely reporting of data, including reporting accurate information in accordance with the framework's performance indicator regime, which will facilitate the successful management of the contract?	3%	40	4	69
2.2	Recognising that employers have a variety of systems (as detailed in Appendix L) provide details of how you propose to interface with the main highways systems (provide details of the systems you will use and how these will be appropriately interfaced with employers' existing systems). Responses should include: <ul style="list-style-type: none"> <li>• Use of data exchange standards – including versions</li> <li>• Real-time data exchange, particularly for emergency works order processing</li> <li>• How your operatives will be able to update systems when undertaking works to prevent the need for retrospective updating</li> <li>• Two-way data exchange</li> <li>• Accurate records are available at all times during the framework term</li> </ul>	4.5%	40	6	73
2.3	Explain how works order processing, including task order pricing where multiple percentage uplifts apply, will work using the employers' highways data management system and your internal systems. Indicate where systems development might be required with timescales for implementation.	2.5%	40	2	76
2.4	Provide an example of innovation that you have incorporated in your proposed highways systems approach (response to criteria 2.2) that will reduce the cost of	2.5%	40	2	71

	delivery.								
2.5	Please detail how you will successfully produce and manage an annual work programme. Explain how you will involve the employer in early planning and how you will retain the flexibility to react to emergencies/ unexpected employer requirements. Response to the tender stage risk register (Appendix E) will be evaluated as part of this criteria.	5%	40	3 + risk register.	72				
2.6	Please detail how you will communicate at all levels of the framework? Include details of escalation channels, stakeholder management and how you will respond to unexpected events.	2.5%	40	3	69				
2.7	Please give specific details of how you intend to deliver the services listed below, recognising the need to minimise traffic congestion and to reduction of the impact of the service upon local residents and businesses. You should include details of how your recent experience will add value to the delivery of the service, any innovative approaches which you intend to employ and how in delivering the particular service for multiple employers you are going to maximising the opportunities for economies of scale.								
2.7.1	Emergency call-out	4%	40	4	73				
2.7.2	Winter maintenance	4%	40	4	77				
2.7.3	Tunnels and structures maintenance including structural inspections	4%	40	6	72				
2.7.4	Road pavements	3%	40	4	79				
2.7.5	Lighting	3%	40	3	56				
2.7.6	Safety inspections	3%	40	3	72				
2.7.7	Design	3%	40	3	68				
3	<b>Behaviours</b>								
3.1	Give details of how you will embrace continuous improvement during the eight year framework term, leading to employers paying less for the same service while ensuring your profit margin. How will the approach to delivering costs savings year on year be embedded within your delivery teams? Do any of your proposed key framework personnel have a track record of developing innovative approaches which are relevant to this framework?	5%	40	4	74				
3.2	To maximise the success of this framework, it is important that more employers form call-offs during the term of the framework. Give details of the work you intend to undertake during the framework term which will result in more call-offs being formed.	5%	40	4	70				
3.3	How do you intend to approach the employers' requirement for open book cost management? What systems will you put in place to facilitate the collection of this information? How will you manage this requirement through your supply chain?	4%	40	3	70				
						18%			

	For information only, please give an indication of the cost of implementing the cost capture regime detailed in Appendix 6 to the Call-Off Conditions of Contract over and above the cost you incur for operating a standard mechanism for recording contract costs.						
3.4	Demonstrate that your proposed organisation has, or is able to develop, the required maturity to move to a target cost approach. Detail how you believe the transition from delivering Core Services via lump sums to delivering Core Services via target costing should be managed and what the associated challenges are.	4%	40	3	75		
<b>Equality and Diversity (Appendix J)</b>		3%	40	30			
<b>Total</b>		100%					
H&S – tenderers are required to submit a Construction Phase Plan in response to: (i) the generic pre-construction information (Annex E to the Service Information (common)); and (ii) sections 4.2, 4.3, 4.4.1, 4.6.4, 4.7.1, 4.9.1, 4.11, 4.12.1, 4.13, 5.7, 6.6, 8.1 and 8.2 of the TfL specific pre-construction information (Annex 28 to TfL's Service Information)		Pass/fail		15	85		
Appendix F contains guidance on preparing a Construction Phase Plan.							

## APPENDIX 5

### Performance Indicators that will be available under the call-off contracts

PPI / SPI	Indicator Number	Performance Theme (Outcome)	PI Title	Indicator Outcome
PPI	1	Public and Workforce kept Safe	Percentage of Cat 1 defects repaired on time.	Ensure the network is safe for all forms of traffic.
SPI	2	Public and Workforce kept Safe	Percentage of Cat 2 defects repaired on time.	Ensure the network is safe for all forms of traffic.
SPI	3	Public and Workforce kept Safe	Percentage of Safety Inspections completed on time.	Ensure Safety defects are identified and appropriately categorised.
SPI	4	Public and Workforce kept Safe	Reduction in Injuries.	To demonstrate the effectiveness of the Contractor's safety culture and processes by monitoring the AFR, AIR and other Safety related metrics.
PPI	5	Reduced Disruption on the Network	Percentage of ECO's attended and appropriate action taken on time.	Reduce Disruption through appropriate choice of action in response to Cat 1 (ECO) defects.
SPI	6	Reduced Disruption on the Network	Percentage of precautionary salt treatments completed within required time.	Safe carriageways, footways and cycleways free of winter weather related hazards.
SPI	7	Reduced Disruption on the Network	Percentage of works complying with the TMA requirements.	Ensure the Employer meets their Network Management Duty
PPI	8	Preventative Maintenance is Effective	Delivery of Cyclic Activities to programme.	Increased availability of the network through preventative maintenance.
SPI	9	Preventative Maintenance is Effective	Completion of Ordered Works to timescale.	To demonstrate effective planning and programming of works.

<b>SPI</b>	<b>10</b>	<b>Preventative Maintenance is Effective</b>	Average number of days to repair Lighting Defects.	Well maintained Lighting
<b>SPI</b>	<b>11</b>	<b>Preventative Maintenance is Effective</b>	Availability of Employer defined Tunnel Assets	Well maintained Tunnels
<b>SPI</b>	<b>12</b>	<b>Preventative Maintenance is Effective</b>	Percentage of Principal and General Inspection reports delivered and accepted on time for Bridges and Other Structures	Ensure timely and accurate reporting of Inspection Information
<b>SPI</b>	<b>13</b>	<b>Responsible Procurement</b>	Percentage Construction and Demolition waste reused or recycled	Successful management of construction and demolition waste in order to reduce the use of raw materials, encourage recycling and reuse and minimise the waste taken to landfill sites to offer both environmental and economic benefits.
<b>SPI</b>	<b>14</b>	<b>Responsible Procurement</b>	Percentage Recycled and/or green products procured	Reduce consumption of new resources by procuring recycled and green construction materials and following the principles of sustainable procurement
<b>SPI</b>	<b>15</b>	<b>Responsible Procurement</b>	Percentage of Contractor vehicles which meet the required Euro Standards	Reducing the environmental impact of the vehicle fleet.
<b>PPI</b>	<b>16</b>	<b>Scheme Delivery is Effective</b>	Percentage Scheme Task Orders completed on time	Ensure that the programme is delivered swiftly and efficiently.
<b>SPI</b>	<b>17</b>	<b>Scheme Delivery is Effective</b>	Percentage of Scheme Task Orders where defects were rectified within required time	Minimum impact on the Customer after Scheme completion.

<b>SPI</b>	<b>18</b>	<b>Scheme Delivery is Effective</b>	Percentage of acceptable H&S file information received within 4 weeks of Task Order completion	Enable the Employer to fulfil its legislative requirement under CDM Regulations 2007
<b>SPI</b>	<b>19</b>	<b>Scheme Delivery is Effective</b>	Average absolute variance between the Contractor's estimate and the Employer's instructed value for Scheme Task Orders.	Accurate forecasting of financial information
<b>PPI</b>	<b>20</b>	<b>Contract Requirements fulfilled</b>	Percentage Task Orders where final application payment was submitted on time	Timely and efficient processing of financial payments on completion of all works.
<b>SPI</b>	<b>21</b>	<b>Contract Requirements fulfilled</b>	Percentage compliance to updating Employer asset inventory systems within Employer timescales	Employers Asset Management System is updated promptly and accurately.
<b>SPI</b>	<b>22</b>	<b>Contract Requirements fulfilled</b>	Percentage compliance to updating Employer asset inventory systems accurately	Update the inventory within the Employer's Asset Management System accurately after maintenance activity or scheme works.
<b>SPI</b>	<b>23</b>	<b>Contract Requirements fulfilled</b>	Percentage of estimates for Employer instructed works received within required timescales	Ensure timely and efficient processing of instructed works
<b>SPI</b>	<b>24</b>	<b>Contract Requirements fulfilled</b>	Early Warning/Compensation Events Register	Timely response to Early Warning Notices and Compensation Events



<b>SPI</b>	<b>25</b>	<b>Improved Customer Satisfaction</b>	Response to Complaints and Requests requiring Contractor action within contractual timescales	Improved public perception of the services provided
<b>SPI</b>	<b>26</b>	<b>Improved Customer Satisfaction</b>	Third Party Claims against Employer or Contractor	Effective assistance in defence of 3rd party claims

