

**Report for:** Cabinet Meeting – 10<sup>th</sup> March 2020

**Title:** Award of Contract for Highway Maintenance and Minor Improvement Works

**Report authorised by:** Stephen McDonnell – Director of Environment & Neighbourhoods

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**Ward(s) affected:** All

**Report for Key/  
Non Key Decision:** Key Decision

## 1. Describe the issue under consideration

- 1.1. Further to the decisions by Cabinet on 9<sup>th</sup> July and 10<sup>th</sup> September 2019;
- (i) An Interim Highways Contract was awarded to Marlborough Highways Limited for a period of up to 9 months, value not exceeding £4 million. That contract expires on 30<sup>th</sup> June 2020.
  - (ii) A review is being undertaken by officers of the highways maintenance and contracting options for Haringey Council going forward, to improve the responsiveness of highways maintenance services. This includes an initial assessment of the feasibility of insourcing part or all of the maintenance works and establishing a team of directly employed staff in what is commonly referred to as a Direct Services Organisation (DSO).
  - (iii) The longer-term Highways contract was re-tendered under the London Construction Programme (LCP) Major Works Framework in a fashion that accommodates any outcomes of (ii) above.
- 1.2. Strategic Procurement were tasked to identify suitable economic operator(s) for the delivery of the Council's Highway Maintenance and Minor Improvement Works Contract under the LCP Framework to commence no later than 1<sup>st</sup> July 2020.
- 1.3. This report seeks the approval to award a Highway Maintenance and Minor Improvement Works Contract, in accordance with CSO 9.07.01(d) (All contracts valued

at £500,000 (five hundred thousand pounds) or more at the time of award may only be awarded by Cabinet), for an initial term of five years, with an option for a two year extension period; thereby the maximum term of the contract being seven years. The maximum value of the contract will be £84 million, if the contract remains in existence for the maximum seven-year term.

## **2. Cabinet Member Introduction**

- 2.1. Transport plays a pivotal role in our daily lives and Haringey is one of London's best-connected boroughs and the transport network is used by our residents, businesses and by people from across the City and beyond; either passing through or interchanging at a station or bus stop.
- 2.2. Maintaining and improving our road network plays a key in enabling the achievement of our wider economic aspirations for the borough. This report recommends the award of a Highway Maintenance and Minor Improvement Works Contract to deliver the Council's planned and reactive works for the coming years.
- 2.3. The contract has been drafted in a flexible fashion which allows integration of a potential inhouse maintenance service or other alternative arrangement arising out of operational changes, throughout the contract period without penalty.

## **3. Recommendations**

- 3.1. That Cabinet approves pursuant to Contract Standing Order 9.07.01(d) the award of a contract for Highway Maintenance and Minor Improvement Works to Bidder H1 (identified in the exempt part of the report), for an initial five (5) year term, commencing no later than 1<sup>st</sup> July 2020 with an option to extend (at the Council's absolute discretion as contained with the terms and conditions of the Contract) for a further two years.
- 3.2. That Cabinet notes that further work is being carried out to ascertain the level of future funding for highways maintenance and footways improvement works.
- 3.3. That Cabinet notes the development of a business cases to support the expansion of the maintenance programme and to consider the establishment of a Direct Services Organisation to provide part or all of the maintenance works in order to build resilience and increase responsiveness of the delivery.

## **4. Reasons for decision**

- 4.1. Officers have undertaken a competitive tendering exercise, in accordance with the Public Contract Regulations 2015, in relation to Highway Maintenance and Minor Improvement Works Contract. Through this process Bidder H1 submitted the Most Economically Advantageous Tender, and therefore, in compliance with the Public Contract Regulations 2015, can be awarded the Highway Maintenance and Minor Improvement Works Contract.
- 4.2. The delivery of Highway Maintenance and Minor Improvement Works, both planned and reactive, contribute to the delivery of a number of Council priorities, as well as supporting the Council in complying with its statutory duties arising out of the Highways Act 1980 and Traffic Management Act 2004.

## **5. Alternative options considered**

- 5.1. Haringey must continue to carry out its statutory duty to maintain the highway network so that they remain safe for road users whilst this review takes place. The tendered contract has been drafted in a flexible fashion which allows integration of a potential inhouse maintenance service or other alternative arrangement arising out of operational changes, throughout the contract period without penalty.

## **6. Background information**

- 6.1. The Council currently delivers its highways works through the interim contract with Marlborough Highways awarded for nine months subsequent to the Cabinet decision of 10<sup>th</sup> September 2019. The contract expires on 30<sup>th</sup> June 2020 following which the Council will be unable to carry out statutory highway works unless an alternative contract or arrangements are in place.
- 6.2. The procurement exercise has made it clear that Haringey are reviewing highway services and the Contract to be awarded has been carefully drafted so as to avoid any penalties should Haringey conclude that it is beneficial to take an element of the service in-house or share the service with a neighbouring borough.
- 6.3. However, in parallel a review is being undertaken to consider the wider delivery of highways maintenance within Haringey, including the requisite levels of funding required to improve the condition of the road network. At present 16% of the carriageway network (mid quartile in Greater London) and 59% of the footway network (lower quartile in Greater London) requires planned maintenance.

6.4. This review is also considering options for building resilience and improving responsiveness. This includes an initial assessment of the feasibility of insourcing part or all of the highways maintenance works and establishing a team of directly employed staff in what is commonly referred to as a Direct Services Organisation (DSO). Any decision on additional investment and the establishment and the DSO is subject to the development of a business case for the additional investment.

### **The Procurement Process**

6.5 The procurement process adopted for establishing a term contract was a mini-competition under Lot 5 (Pan London £1m+) of the LCP Framework Agreement using Haringey's e-Sourcing Portal, HPCS (Haringey Procurement and Contract System).

6.6 The Framework is OJEU compliant and has five (5) experienced and competent suppliers who are suitable to deliver the nature of works expected under the term contract for Highway Maintenance and Minor Improvement Works.

6.7 Strategic Procurement supported the business unit in the tendering process.

6.8 On 16<sup>th</sup> October 2019, expressions of Interest were sought from the five (5) suppliers under Lot 5 of the LCP Framework Agreement, on the basis of a brief description of the nature and scope of works. The five suppliers in alphabetical order were: -

- a. FM Conway Limited
- b. Geoffrey Osborne Limited
- c. Marlborough Highways Limited
- d. McLaughlin & Harvey
- e. Thomas Sinden Limited

6.9 On 15<sup>th</sup> November 2019, the mini-competition tender documents were issued to the above suppliers via Haringey Procurement and Contract System (HPCS) – e-procurement portal. The tender documents clearly stated the procedure each tenderer was to follow for communications with the Council regarding the procurement process and the procedure to be followed for the submission of bona fide tender.

6.10 The Instructions to Tender (ITT) document called for the return of tenders by 1300hrs GMT, Monday 6<sup>th</sup> January 2020.

6.11 A total of three (3) tender queries were raised and dealt with by the Council during the tender process.

6.12 Two (2) tender submissions were received by the submission deadline date and time set out in the tender pack.

### **The Evaluation Process**

6.13 Tender submissions were checked for compliance and completeness by Strategic Procurement on 6<sup>th</sup> January 2020. All were found to be compliant and complete and were taken forward to evaluation.

6.14 The tender submissions were evaluated for Quality and Price as set out in the ITT document.

6.15 Evaluation of Quality was based on submitted Method Statements relating to key Contract requirements and was undertaken by a team of technically competent evaluators. Initially evaluators scored quality independently and scores were confirmed at a Consensus/ Moderation Meeting, chaired by the Procurement Lead on 21<sup>st</sup> January 2020.

6.16 Evaluation of Price was based on a Model developed to represent typical works that will be ordered under the Contract per annum. Tenderers individual priced rates were entered into the model and the total price for each calculated. The Price evaluation was undertaken by a competent Consultant brought in by the Council and was completed on 16<sup>th</sup> January 2020. A Quantity Surveyor from the business unit carried out a similar evaluation by 24<sup>th</sup> January 2020 to validate the initial assessment done by the Consultant.

6.17 Additionally, the overall price evaluation was checked by two officers from the Council's Finance Service.

6.18 Following the evaluation process, the total overall Quality and Price scores were combined to provide the ranking of the bidders in accordance with the Most Economically Advantageous Tender.

6.19 The information below summarise the overall tender scores achieved by each Bidder in line with the tender evaluation criteria of 40% Quality and 60% Price as set out in the Invitation to Tender document.

Bidder H1	[exempt information]
Bidder H2	[exempt information]
Bidder H3	Did not return a tender
Bidder H4	Did not return a tender
Bidder H5	Did not return a tender

6.20 A comparison of costs was made against our existing interim rates and historical LoHAC rates for the same works, to validate competitiveness. This demonstrated that efficiencies in the region of 2.3% would be made for highways.

## **7. Contribution to strategic outcomes**

7.1 The Environment and Neighbourhoods Department will be commissioned during the contract period to deliver wide ranging services, as determined annually through the Local Implementation Plan (LiP) submission plan and Highways Works Plan. The physical delivery of a substantial element of these works will be through this contract

7.2 These works will support the delivery of the Borough Plan 2019-2023 Place priority. Helping to create a place with strong, resilient & connected communities where people can lead active and healthy lives in an environment that is safe, clean and green and well maintained

7.3 This will include projects that create healthier places, in line with the Mayor of London's Healthy Streets plan, to support people to be active by cycling and walking. Along with measures to reduce the impact of road vehicles on air pollution including through parking controls and public transport measures.

## **8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)**

### **Finance**

8.1. This report seeks approval to award the contract for the Highway Service to preferred bidder H1.

8.2. The length of the contract is initially a 5-year period with an option to extend for a further 2, therefore over a potential contract lifecycle of 7 years.

- 8.3. The maximum value of the contract is £84m. This translates to £12m per year. However, there is no legal obligation to spend to this level.
- 8.4. There is adequate provision in the 2020/21 Highways budget for these works in next year. Any works commissioned will need to be contained within budgetary limits.
- 8.5. There is potential for additional funding during the year from grant awards such as TfL and other government bodies. schemes.
- 8.6. The contract has flexibility to reduce the amount of work commissioned to the contractor which will enable the Council to create its own direct labour workforce.
- 8.7. The tender process followed ensures that value for money will be achieved through this contract as it is expected to realise a reduction in costs compared with the existing contract.
- 8.8. Contract delivery costs and monitoring procedures will be continuously reviewed to ensure expenditure remains within budgetary constraints and exceptions reported under the normal corporate governance arrangements.

### **Strategic Procurement**

- 8.9. The recommendation to award the contract to Bidder H1 in accordance with CSO 7.01.(b) is supported by Strategic Procurement following a procurement process conducted under Lot 5 of the LCP Framework Agreement which is OJEU compliant.
- 8.10. The overall proposal submitted by Bidder H1 is considered to be the most economically advantageous tender and as such, does offer significant value for money to the Council.
- 8.11. The award of the contract will ensure the Council contribute to the delivery of a number of its priorities and additionally, it will ensure the Council's statutory obligations arising from the Highways Act 1980 and Traffic Management Act 2004 are fully met as highlighted under paragraph 4.2 of this report.

### **Legal**

- 8.12. The Assistant Director of Corporate Governance notes the content of the report.

- 8.13. This procurement has been conducted in compliance with the Council's Contract Standing Orders and the Public Contracts Regulations 2015 (as amended).
- 8.14. Pursuant to Contract Standing Order 9.07.1(d) Cabinet has the power to award a contract where the value is £500,000 or more and as such Cabinet has the power to approve the award of the contract in this report.
- 8.15. The Assistant Director of Corporate Governance sees no legal reasons preventing Cabinet from approving of the recommendations in the report.

### **Equality**

- 8.16. The Council has a Public Sector Equality Duty under the Equality Act 2010 to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited by the Act
  - Advance equality of opportunity between people who share those protected characteristics and people who do not
  - Foster good relationships between people who share those protected characteristics and people who do not
- 8.17. The three parts of the duty applies to the following characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status apply to the first part of the duty.
- 8.18. The decision is to award contracts for term services in relation to highway assets. The terms and conditions will require suppliers to comply with Council duties in any works they undertake under the contracts. Equalities formed a key element of the quality assessment process of the tender award to make sure that the successful tenderers will meet the requirements of the council.
- 8.19. Additionally, equality will be a key issue considered in undertaking the design of future schemes / works to be implemented under the contract.

### **9. Use of Appendices**

None

**10. Local Government (Access to Information) Act 1985**

No supporting documents required.