

For General Release

REPORT TO:	CABINET – 11 June 2018
SUBJECT:	Next Generation Highways Maintenance and Improvement Works Provision Contract Award
LEAD OFFICER:	Shifa Mustafa Executive Director Place Steve Iles MBE Director of Streets
CABINET MEMBER:	Councillor Stuart King (Job Share) and Councillor Paul Scott (Job Share) Cabinet Member for Environment, Transport & Regeneration and Councillor Simon Hall Cabinet Member for Finance and Resources
WARDS:	ALL
CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON: The works and service to be provided will enable the following outcomes to be achieved, which supports the Council's Corporate Priorities: <ul style="list-style-type: none">• To build a place that is easy and safe for all to get to and move around in;• To create a place where people feel safe and are safe;• To create a place that communities are proud of and want to look after as their Neighbourhood;• To create a place where people and businesses want to be• To have the right people with the right skills in the right job• To be digital by design in meeting the needs of local people• To be open and transparent and put communities at the heart of decision making;• To enable more local people to access a wider range of jobs• Include the Council's commitment to the London Living Wage• Include the Council's commitment to delivering Social Value opportunities Through the award of a long-term partnering contract the Council will continue to maintain and improve its highways. The Council together with the preferred bidder will jointly deliver a contract providing a range of benefits including value for money; a commitment to the London Living Wage and a clear social value offer aiming to benefit both local businesses and local people including apprenticeships and training.	

Finally, ICT enhancements including digital enablement; a comprehensive key performance indicator (KPI) regime, robust governance and contract management lie at the heart of delivery to ensure that there are long term benefits for Croydon.

FINANCIAL IMPACT: In accordance with the OJEU notice reference 2017/S 204-419940, the outcome of the procurement commits the Council to a maximum expenditure of £105m over the next 7 years contract term with the option to extend incrementally for a further 3 years (7+1+1+1) to a maximum period of ten (10) years. The maximum expenditure for the total contract term of ten (10) years will be £130m.

KEY DECISION REFERENCE NO.: 1018CAB

The decision may be implemented from 1300 hours on the 6th working day after the decision is made, unless the decision is referred to the Scrutiny & Overview Committee by the requisite number of Councillors.

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below:

1. RECOMMENDATIONS

- 1.1 To appoint Bidder 'C' as the preferred bidder for the provision of the Next Generation Highways Maintenance and Improvement Works in Croydon at a maximum contract value of £130m over ten years (7+1+1+1)
- 1.2 Agree that the name of the Preferred Bidder be published upon conclusion of the standstill period required under regulation 87 of the Public Contract Regulations 2015.
- 1.3 Agree that subject to:
 - 1.3.1 the transposition of the Preferred Bidder's final tender submission into contractual form being completed to the satisfaction of the Council and there being no material changes to the proposed solution beyond the scope set out in this report; AND
 - 1.3.2 the terms and conditions of all necessary documentation being to the satisfaction of the Director of Law and Monitoring Officer; that
 - 1.3.3 Authority to award the final contract and agree all necessary documentation be delegated to the Executive Director Place, in consultation with the Cabinet Member for Environment, Transport & Regeneration and the Cabinet Member for Finance & Resources.

2. EXECUTIVE SUMMARY

- 2.1 The purpose of this report is to outline the procurement process undertaken for commissioning the Next Generation Highways Maintenance and Improvement Works and recommends the most economically advantageous tender award for the provision of the works and services. Exempt information

is provided within the associated Part B report on this agenda.

- 2.2 This project is part of a previously agreed strategy (CCB Reference: CCB1272/17-18), whereby it was determined that due to the complexity of the requirement, accounting for the inclusion of Public Realm schemes and Professional Services alongside network management and improvement, the endorsed route to market was to adopt the Competitive Procedure with Negotiation (CPN). Due this complexity, the Council believed that in accordance with the Public Contract Regulations 2015, this contract meets the grounds for use of CPN 26(4)(a)(iii) as per following criteria;
- (i) The contract cannot be awarded without prior negotiation because of specific circumstances related to the nature, the complexity or the legal and financial makeup or because of risks attaching to them;
- 2.3 Based on the outcome of a robust procurement process and the completed evaluation, it is recommended that the award of preferred bidder status should be made to Bidder 'C' who has submitted the most economically advantageous tender for the provision of the works and services.
- 2.4 The proposed contract will support Croydon as a highway authority, to fulfil the requirement to maintain all the highways in the borough, that are not the responsibility of Highways England or Transport for London. The proposed contract additionally provides for:
- robust governance and contract management including a comprehensive suite of key performance indicators (KPIs)
 - a commitment to the London Living Wage
 - maximisation of social value outcomes
 - maintaining or improving customer satisfaction throughout consultation and delivery of works and services
- 2.5 Both the contract form and the commercial arrangements reflects that there is no guaranteed minimum value of work that needs to be offered to the successful Bidder, which allows the Council significant flexibility in amending the value of works and services instructed on an annual basis should that be necessary.
- 2.6 The contract commencement date will be 1st October 2018 for an initial period of 7 years with the option to extend incrementally for a further 3 years (7+1+1+1) to a maximum period of ten (10) years.
- 2.7 The content of this report was approved by the Contracts and Commissioning Board on Tuesday 29th May 2018.

CCB Approval Date	CCB ref. number
29/05/2018	CCB1362/18-19

3. DETAIL

- 3.1 Under the Highways Act 1980, the Council has an ongoing requirement to maintain all highways in the borough that are not the responsibility of

Highways England or Transport for London, acting as the highway authority for all GLA roads. In addition to maintenance, the Council also invests in improvement schemes funded through s106, CIL, Growth Zone and other capital funding streams, including the Council's Capital Programme. These vary from minor improvements to £multi-million major public realm schemes.

- 3.2 The scope for the new contract is a core service that will deliver an ongoing highway network maintenance service of routine preventative maintenance and non-routine network repairs, with the added facility to call-off professional services, network improvement and capital delivery works.

Procurement process

- 3.3 The procurement process commenced during October 2017 following the publication of the OJEU notice on 23rd October 2017. Seven SSQ submissions were received and, following the assessment based on the pre-determined selection criteria, the four applicants with the highest scores, were then invited to submit an initial tender response and participate in the negotiation sessions during March 2018.

- 3.4 The unsuccessful letters were submitted to the three applicants who were not successfully short-listed at the SSQ stage due to submitting poor response in some of the following areas;

- Lack of clarity and insufficient detail provided with regards to the case studies to demonstrate their relevant contract experience. In particular, they showed what they have achieved as individual schemes but didn't reflect how they managed the different schemes overall;
- Demonstrated experience of highways maintenance but not winter maintenance and there was lack of evidence to show experience relating to Network management, Public Realm and Professional Services.
- Very limited evidence to show previous experience relating to the implementation of IT from mobilisation perspective and lack of detail relating to who was responsible for which areas of the mobilisation.
- Lack clarity with regards to the lead provider approach and how they ensured consistency throughout the whole supply chain and not just from a supply chain partner perspective.

- 3.5 The Competitive Procedure with Negotiation (CPN) enabled the Council to negotiate with the respective Bidders with regards to their initial tender submission to improve their content. In accordance with PCR2015, the minimum requirements and pre-determined award criteria were not subject to negotiation. The areas of negotiation with the shortlisted bidders included:

- Proposed Delivery Model
- IT
- Legal
- Social Value
- Commercial Pricing

- 3.6 The Invitation to Submit a Final Tender (ISFT) was published on 29th March

2018 and the four bids received on 13th April 2018, were comprehensively evaluated on price and quality in accordance with the published award criteria (60% Price and 40% Quality). The process was structured to ensure that the qualitative evaluations were carried out in the absence of any detail relating to price to maintain probity of process and prevent unconscious bias. The pre-determined scoring allocation criteria was based on the following:

Score	Rating	Criteria for awarding score
10	Excellent	Exceeds the requirement. Exceptional demonstration by the tenderer of their relevant ability, understanding, experience, skills, resource and quality measures provided in the initial method statement. Response identifies factors that demonstrate added value, with evidence to support the response.
8	Good	Satisfies the requirement with minor additional benefits. Above average demonstration by the tenderer of the relevant ability, understanding, experience, skills, resource and quality measures provided in the initial method statement. Response identifies factors that demonstrate added value, with evidence to support the response.
6	Acceptable	Satisfies the requirement. Demonstration by the tenderer of the relevant ability, understanding, experience, skills, resource and quality measures provided in the initial method statement, with evidence to support the response.
4	Minor Reservations	Satisfies the requirement with minor reservations. Some minor reservations of the tenderer's relevant ability, understanding, experience, skills, resource and quality measures provided in the initial method statement, with limited evidence to support the response.
2	Serious Reservations	Serious reservations of the tenderer's relevant ability, understanding, experience, skills, resource and quality measures provided in the initial method statement, with little or no evidence to support the response. Should the bidder be allocated with a score of 2, its tender submission will be rejected in its entirety.
0	Unacceptable	Does not meet the requirement. Does not comply and/or insufficient information provided to demonstrate that the tenderer has the ability, understanding, experience, skills, resource and quality measure, with little or no evidence to support the response. Should the bidder be allocated with a score of 0, its tender submission will be rejected in its entirety.

- 3.7 A minimum qualitative scoring threshold for all written method statements was applied, whereby a scoring allocation of less than four (4) would subject the respective Bidder's tender submission being rejected in its entirety.
- 3.8 The qualitative scoring allocation for the method statement question reference 11 relating to the Premier Supplier Programme (Early Payment Rebate) was based on the following:

Rebate Offered	Points Scored
0%*	0
0.5%	1
1.00%	2
1.25%	3
1.50%	4
2.00%	5
*Excludes participating in the PSS.	

Evaluation

- 3.9 Following receipt of the final Tender submissions, the members of the Evaluation Team proceeded with the assessments of the qualitative and pricing responses. These were evaluated in accordance with the pre-determined Tier 1 and 2 award criteria as per following:

Tier Two Award Criteria	Weighting	Bidder A Score (%)	Bidder B Score (%)	Bidder C Score (%)	Bidder D Score (%)
Q1 Mobilisation	15%	9	9	12	9
Q2 Working Practices	20%	12	16	16	12
Q3 Contract Management	20%	16	12	16	12
Q4 Customer Care	8%	4.8	6.4	4.8	4.8
Q5 Key Operational Aims & Objectives	5%	4	3	4	4
Q6 Social Value	5%	3	4	4	3
Q7 Terms Service Works (Routine Maintenance)	7%	4.2	4.2	7	5.6
Q8 Term Service Works (Non-Routine Maintenance)	6%	4.8	2.4	3.6	3.6
Q9 Professional Services	6%	3.6	3.6	4.8	6
Q10 Public Realm and Improvement Service Delivery	6%	3.6	3.6	4.8	3.6
Q11 Premier Supply Programme (Early Payment Scheme) with scoring allocation criteria of 0-5 as per paragraph reference 3.8.	2%	0	0.4	2	0.4
Total (Quality)	100%	65	64.60	79	64
Total (Quality)	@ 40%	26	25.84	31.60	25.60

Financial Evaluation

Financial Evaluation	Weighting	Bidder A Score (%)	Bidder B Score (%)	Bidder C Score (%)	Bidder D Score (%)
Total (Price)	@ 60%	40.74	54.34	55.76	60

Combined Qualitative Combined Financial and Qualitative

	100%	Bidder A Score (%)	Bidder B Score (%)	Bidder C Score (%)	Bidder D Score (%)
Total (Combined)	@ 100%	66.74	80.18	87.36	85.60

- 3.10 As a result of a comprehensive evaluation process, the recommendation is to appoint Bidder 'C' as the preferred Bidder for the provision of Next Generation Highways Maintenance and Improvement Works to the borough of Croydon.
- 3.11 The preferred Bidder has demonstrated the ability to meet the Council's requirements relating to Social Value, whereby all targets against the minimum measures have been fulfilled with some offering additional benefits. In particular with regards to apprenticeship, employment and work placement opportunities to be given to Croydon residents (including those within the priority groups), prior to issuing the vacancies to the wider market. In addition, will offer opportunity for scholarship and delivery of environmental considerations will be achieved. The overall offer is in line with the size of contract with strong evidence to show the Bidder's capacity and capability to deliver the commitments back by case studies of positive impact achieved. Please see below for further details which provides a number of key benefits that have been identified as commitments for the proposed contract:

Social Value

- Appoint local resident to support Public Liaison Officer with day to day activities.
- Engage with 14-19 Youth Engagement Team to highlight opportunities for young people to get involved in local projects.
- London Living Wage (LLW) for all staff and opportunity for Apprentices to also earn LLW through incentivisation.
- Min. 39 apprenticeships for Croydon residents over life of Contract
- 65 work placements for Croydon residents over life of Contract
- 100% New job opportunities to be advertised for Croydon residents prior to release to the wider market.
- 63% of workforce will be Croydon residents (Year 2-7 average).

- 10% increase in percentage of total job applicants that belong to priority groups.
- One work placement or job for a person with a disability each year.
- 40% of Supply chain spend with Croydon Suppliers, increasing this by 10% on an annual basis.
- 98 Training days for small companies in Croydon over the life of Contract.
- 12 London Construction Academy attendees from Croydon each year.
- Commitment to support Croydon community activities e.g. 2 days of volunteering each year per staff member per annum.
- £20k per annum allocated for match funding for Croydon community projects.
- Host an annual cycling event in Croydon during which competitors will be invited to enter teams of cyclists and take place in a time trial event. Entry fees collected and donated to a local sport charity in Croydon and will sponsor one additional local event aimed at getting people active.
- Will host at least one 'Exchanging Places' event per annum which allows people to sit in the driver's seat of one of their HGVs to get better understanding of what the driver can and can't see. Will provide drivers opportunity to discuss road safety with the Police and vulnerable road users to encourage safe behaviours on the road.

Contract management

- 3.12 The NEC4 Term Service contract form has been adopted for this contract and will form the basis for Contract Management together with the additional detail set out in the Term Brief and Key Performance Indicators.
- 3.13 The Director of Streets, will lead the overarching strategic and commercial performance management, with support from the Commissioning and Improvement team, Place contract leads and Finance.
- 3.14 Contract management of term service works, including day to day relationships and instructions will be managed within the Place department by an appointed Contract Manager (Service Manager, Streets), responsible for work instruction and allocation, budget management and performance & quality monitoring.
- 3.15 Contract management of public realm works including day to day relationships and instructions will be managed within the Place department by the Project Manager responsible for each scheme, relating to work instruction and allocation, budget management and performance & quality monitoring.
- 3.16 The agreement will become a Tier 1 contract and will be reviewed quarterly in line with the corporate strategic contract management framework which considers performance, finance/costs, contract management arrangements, risk management and Social Value.

4. CONSULTATION

- 4.1 The contract specification was developed in consultation with officers from all relevant highway departments.
- 4.2 External consultation has taken place with other Authorities in the form of technical references which have confirmed that these Organisations have recent relevant experience of working on the Public Highway.

5. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

Revenue and Capital consequences of report recommendations

	Current year	Medium Term Financial Strategy – 3 year forecast		
	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Revenue Budget available	398	796	796	796
Expenditure				
Income				
Effect of decision from report	398	796	796	796
Expenditure				
Income				
Remaining budget	0	0	0	0
Capital Budget available	7,108	14,217	14,217	14,217
Expenditure				
Effect of decision from report	7,108	14,217	14,217	14,217
Expenditure				
Remaining budget	0	0	0	0

- 5.1 The financial year 2018/19 is reflecting the available revenue and capital budgets based on the proposed contract commencing from 1st October 2018. The funding for the project over the initial 7 years is broken down as follows:

- Highways Term Service £ 36.7m
- Winter Servicing £ 1.8m
- Public Realm Growth Zone (5 years) £ 50.0m
- TFL (Transport For London) works £ 14.5m
- Professional Service Work £ 2.1m

Total Value over the original 7 year term £ 105.1m

5.2 The total cost of funding over ten years is circa £130m. This takes the assumption that the additional 3 years is evoked. The breakdown for the final three years assuming the contract gets extended is detailed below. Should this not happen then the maximum funding would be £105m.

- Highways Term Service £ 17.0m
- Winter Servicing £ 0.8m
- TFL (Transport For London) works £ 6.21m
- Professional Service Work £ 0.9m

Total Value over the 3 year extension term £ 24.91m

5.3 Over the main 7 year length of the contract there is £85m of council funded capital spend of which £50m is due to be funded through Growth Zone schemes for the next 5 years.

5.4 Funding from TFL (Transport for London) over 7 years is £14.5m and is earmarked for capital projects including principal road renewal, road safety Improvements and Public Realm works. This is based on indicative spend that has been provided to us which may fluctuate over the term of the contract depending on funding allocations from TFL.

The effect of the decision

Risks

5.5 The following risks have been identified and are being actively managed:

Risk	Mitigation	Controls
Risk of ineffective continuity of service/works provision.	Inability for Council as highway authority to perform its duty in accordance with the Highways Act 1980 particularly as Council has duty of care to maintain all highways in the borough that are not the responsibility of Highways England or Transport for London.	Implementation of contract to be awarded to maintain continuity of service/works.
Financial standing of the Contractor is inadequate to meet the needs of the service.	The Contractor has inadequate financial standing and is unable to 'finance' the supply chain resulting in poor provision of service and run the risk of the Provider failing and entering 'administration' or similar.	Financial standing of the Council's partner has been checked and deemed acceptable.

Risk of procurement challenge relating to the proposed award of contract.	Legal challenge raised by potential contractor/supplier which may subject the Council to some delay with contract commencing and/or some sanctions e.g. Termination/Invalidity of Contract/Financial penalty.	A robust and transparent process has been adopted in compliant with Public Contract Regulations 2015.
Risk of agreed Social Value commitments not being delivered.	Commitment included as part of the Bidder's offer are not delivered therefore opportunities will be lost by the Council, Croydon residents and local businesses.	Formal contract management arrangements will be implemented and regular performance management reviews will be undertaken. The Contract Manager will engage with C&I-Corporate to ensure Social Value commitments are delivered and arrangements in place to support supply chain related events.

Options

- 5.6 The Council is required to undertake maintenance and improvement works in accordance with the Highways Act. A procurement exercise was required, in order to establish a contractual provision. If this recommendation is not agreed, existing transitional arrangements for highways maintenance and improvement works would need to be either further extended or reviewed, while a second procurement exercise was undertaken. The existing contract for this service is due to expire on 30th September 2018, and there is no extension available within the current contract. Therefore, it was a requirement for the procurement exercise to take place, to ensure a contractual provision was established for the next seven (7) years. If this recommendation is not agreed, the Council would be in breach of a statutory Highways Act requirement.

Future savings/efficiencies

- 5.7 It is anticipated that the proposed contract may achieve revenue savings over the seven (7) year contract term. This saving would be achieved by a blend of the following:
- Agreed professional services rates;
 - Rate reduction realised by re-tendering the works ;
 - Including new rates for items not included within the current contract.
- 5.8 The savings may not take the form of a monetary value but may be reinvested in additional works being undertaken. Given that the majority of spend is capital expenditure, the majority of any savings or reinvestment is likely to be in the capital rather than revenue.

- 5.9 In addition, there is an opportunity embedded within the contract for the Council to realise a financial saving of between £50k to £300k per annum by application of a Contractor discount percentage based on annual spend. This is dependent on a minimum spend within any contract year being £15m.
- 5.10 It should be noted that there is no guaranteed minimum value of work that needs to be offered to the successful bidder, so the council will retain the ability to adjust the value of work according to its available budget.

Approved by: Felicia Wright, Head of Finance (Place).

6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 The Solicitor to the Council confirms that the procurement process as detailed in this report is in accordance with the requirements of the Council's Tenders & Contracts Regulations and meets the Council's duty to secure best value as provided under the Local Government Act 1999.

Approved by: Sean Murphy, Head of Commercial and Property Law, on behalf of the Council Solicitor & Director of Democratic & Legal Services.

7. HUMAN RESOURCES IMPACT

- 7.1 This paper could potentially involve changing service providers which may invoke the effects of the Transfer of Undertakings (Protection of Employment) 2006 Legislation. The application of TUPE or otherwise would be determined between the service providers. Should TUPE apply, the role of the Council would usually extend no further than facilitating the process. There is no other substantial Human Resource impact for Council staff. Any other HR issues which may arise will be managed under the Council's appropriate policies and procedures.
- 7.2 Should TUPE apply, the Project Team has sought advice from the Council's Pension, Legal and Finance team with regards to agreeing the Council's position so that all the participating Bidders can submit their final tender based on the following:
- Fixed Contribution Rate over term of contract
 - Insurance cover for any cases of ill health
 - Cessation cost at end of contract

Approved by: Jennifer Sankar, Head of HR (Place) on behalf of the Director of Human Resources.

8. EQUALITIES IMPACT

- 8.1 Equality considerations were taken into account as part of the requirements defined within the final ITT document (including the Terms and Conditions of Contract) whereby there is a need for the provider to be compliant with the

Equality Act 2010.

- 8.2 The Equality Policy 2016 - 20 sets out the Council's commitment to equality and its ambition to create a stronger, fairer borough where no community is held back. The policy reflects the council's statutory duties under the Equality Act 2010 and is supported by the equality objectives set out in the Opportunity and Fairness Plan 2016-2020.
- 8.3 The equality objectives for 2016-20 are aligned to and will support the delivery of the Council's business outcomes set out in its Corporate Plan particularly in relation to:
- **Growth** - creating growth in the local economy and ensuring that all residents in the borough are able to share the benefits
 - **Independence** - taking on an enabling role to help residents to be as independent as possible
 - **Liveability** - creating a welcoming, inclusive and pleasant place in which local people want to live and work and feel safe.
- 8.4 A full Equality Analysis has been undertaken which will be kept under review to ensure that where necessary action is taken to mitigate potential negative equality impacts e.g. access issues for people with restricted mobility.
- 8.5 The contract includes the requirement for the Preferred Bidder and its supply chain partners to pay the London Living Wage as a minimum.
- 8.6 There are also requirements for the Preferred Bidder to deliver Social Value outcomes. These include creating opportunities for local residents and businesses such as work placements, guaranteed job interviews, apprenticeships, training, supply chain opportunities and providing support for local schools across South London.

Approved by Norman Vaciannia, Senior Strategy Officer, C&I-Place.

9. ENVIRONMENTAL IMPACT

- 9.1 Procurement of the contract will provide the Council with an opportunity to support the Council in a number of areas including smarter working to reduce CO2 emissions and recycling products. Please refer to Part B for further details.
- 9.2 In accordance with the contract terms and where required, the preferred bidder will produce site waste management plans for any works to plan, reduce and maximise the percentage of waste recycled from every working site. The Council is satisfied that the winning bidder's solution will contribute to reducing Croydon's CO2 emissions; result in a move to more sustainable products and support energy efficiency in Croydon.

10. CRIME AND DISORDER REDUCTION IMPACT

10.1 There are no adverse Crime and Disorder impacts arising from this report.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

11.1 Following the evaluation of the final tender submissions, the evaluated scores are given in the table with Bidder 'C' recommended as offering the most economically advantageous tender.

		<i>Bidder A</i>	<i>Bidder B</i>	<i>Bidder C</i>	<i>Bidder D</i>
		<i>(%)</i>	<i>(%)</i>	<i>(%)</i>	<i>(%)</i>
Total (Quality)	@ 40%	26	25.84	31.60	25.60
Total (Price)	@ 60%	40.74	54.34	55.76	60
Total (Combined)	@ 100%	66.74	80.18	87.36	85.60

12. OPTIONS CONSIDERED AND REJECTED

12.1 Bidder 'C', having achieved the overall highest combined score of 87.36% and having submitted a compliant bid which met the requirements set out within the invitation to tender document, no other options were considered.

12.2 Bidder 'C' has successfully demonstrated through their bid that they are capable of meeting the Council's quality and price requirements.

CONTACT OFFICER:

Name:	Rowland Gordon
Post title:	Service Manager - Streets
Telephone number:	07827-880476

BACKGROUND PAPERS - LOCAL GOVERNMENT ACT 1972 – None