



DERBY CITY COUNCIL

COUNCIL CABINET
16 JANUARY 2007

ITEM 19

Cabinet Member for Planning and Transportation

HIGHWAYS MAINTENANCE: TERM CONTRACT RENEWAL

SUMMARY

- 1.1 The existing Highways Maintenance Term Contract is due to terminate in August 2007
- 1.2 There are benefits to be gained by negotiating a new term contract, based on the concept of partnering.
- 1.3 The recommended minimum duration for the new contract is five (5) years, with a three (3) year extension awarded annually and based on performance.
- 1.4 Subject to any issues raised at the meeting, I support the following recommendations.

RECOMMENDATIONS

- 2.1 That the Council prepares documents and seek bids for the renewal of the Highways Maintenance Term Contract based on the concepts of partnering for the period 2007 – 2012, with permitted extensions up to 2015.
- 2.2 To note the contents of the report and also note that a further report will be submitted to Cabinet seeking approval to enter into the Final Contract.

REASON FOR RECOMMENDATIONS

3. To ensure that the Council has a term contract that delivers best value for money.



DERBY CITY COUNCIL

COUNCIL CABINET 16 JANUARY 2007

Report of the Corporate Director - Regeneration and Community

HIGHWAYS MAINTENANCE: TERM CONTRACT RENEWAL

SUPPORTING INFORMATION

- 1.1 The existing Highways Maintenance Term Contract (HMTC) terminates in August 2007.
- 1.2 Current recommendations in the procurement of contracts of this nature are that they should follow the guidelines developed as part of the National Procurement Strategy by the Department for Communities and Local Government, the Local Government Association and others including IdeA, 4Ps, Audit Commission, Office in Government Commerce, Cabinet Office, Defra and DTI.

The advice is that Councils will deliver better quality public services through a Partnership approach, and that any extensions to the contract should be based on the performance of the contractor.

- 1.3 It is usual for Partnership based contracts to provide better value for money, as the Council and contractor are working together to eliminate waste and areas of duplication. A Partnership approach is being used on the IRRIMS scheme and is working well.
- 1.4 Advice from consultants working in the field has indicated that better value for money can also be realised by:
 - a) putting all the activities associated with highways maintenance into one contract. This would include not only the reactive maintenance, but also some resurfacing and highway reconstruction works.
 - b) letting the contract for a minimum period of five (5) years with a possible extension of up to three (3) years, renewable annually, based on the contractor's performance.

This would mean, subject to the contractor's good performance, that the usual one off periodic costs, associated with the procurement of these services, would not be required during the lifetime of this contract thus leading to efficiency savings.

However, only schemes up to the value of £1 million will be included in this contract, and schemes in excess of this value will be tendered separately as and when necessary.

- 1.5 A Project Board has been established to manage the procurement of this contract, which includes the Cabinet Member for Planning and Transportation. Other members of the Project Board include the Assistant Director - Highways and Transport, Head of Streetcare, Head of Traffic, Head of Highways Design and the Head of Regeneration & Community Finance.
- 1.6 Additionally a Project Team has been established to progress the scheme. The Team includes a consultant, Excellence in Business who are experienced in the procurement of Highways Maintenance Contracts.
- 1.7 An advert was placed in the European Journal in August 2006 and the Council received Pre Qualification Questionnaires (PQQ) from a number of interested contractors.
- 1.8 All these PQQ submissions are based on the concept of Partnering.
- 1.9 Based on an analysis of the PQQ submissions, 5 Bidders have been requested to respond to an Invitation to Submit Outline Solutions (ISOS), giving their proposals of how the proposed partnership would best work.
- 1.10 The Bidders selected to submit these proposals are:
Accord
Balfour Beatty
Alfred McAlpine
Ringway
Tarmac
- 1.11 Following the receipt of the ISOS which are to be submitted in January 2007, the Council will evaluate the bids and select three bidders to go forward to a dialogue phase, where the concepts of partnering and the extent of the contract can be determined. Following the dialogue phase, the three selected bidders will be requested to submit final bids for the scheme.
- 1.12 It is anticipated that final bids will be considered and a preferred bidder appointed by May 2007, giving sufficient time for the mobilisation of the new HMTc by the termination date of the existing HMTc (August 2007).

OTHER OPTIONS CONSIDERED

2. Extend the current contract by 12 months and then procure a new contract. This option will not realise the benefits to be gained by entering into a new Partnership contract.

For more information contact: Officer: Martin Follows Tel: 715050 e-mail: martin.follows@derby.gov.uk Background papers: None List of appendices: Appendix 1 – Implications
--

IMPLICATIONS

Financial

1. The Council currently spends approximately £6 million on highways maintenance, resurfacing and highway reconstruction per annum. Whilst it is anticipated that better value for money will be achieved using the approach described above, it is likely that the Council will not achieve the same total quantity of work for the same level of finance. This is largely because of high increases in inflation in the construction. However, the quality and long term durability of the works undertaken should be greatly improved.

Legal

2. The procurement will be carried out in accordance with EU procurement requirements.

Personnel

3. Many of the staff working on the existing HMTc were transferred to the current contractor under TUPE arrangements. These staff are potentially affected by the appointment of a new Service Provider and will be subject to a TUPE transfer to the new provider. There will be full consultation during the process.

Equalities impact

4. The impact of the Project should benefit of all highways users.

Corporate priorities

5. The Project will help to support the Quality of Life in Derby's neighbourhoods and also help to deliver excellent services, performance and value for money.