

**AGENDA ITEM: 25**      Pages: 186 - 193

Meeting	Cabinet Resources Committee
Date	28 February 2012
<b>Subject</b>	<b>Extension of two highways contracts; The Highways Planned Maintenance &amp; Improvements Contract 2007-12, and The Highways Term Maintenance Contract 2007-12.</b>
Report of	Cabinet Member for Environment
Summary	The report seeks approval to extend the two existing highways contracts, (the Highways Planned Maintenance and the Highways Term Maintenance).
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Status (public or exempt)	Public (with a separate Exempt Report)
Wards affected	All
Enclosures	Appendix A: Schedule of Priced Items covering Alternative Treatments
For decision by	Cabinet Resources Committee
Function of	Executive
Reason for urgency / exemption from call-in	Not applicable

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## **1. RECOMMENDATION**

- 1.1 That, subject to inclusion of the additional schedule of rate items submitted by the two contractors covering highway maintenance treatments, approval be given to the extension of the Highways Planned Maintenance and Improvements Contract 2007-12 and The Highways Term Maintenance Contract 2007-12, each for a period of two years from the 1 April 2012 until 31 March 2014.**

## **2. RELEVANT PREVIOUS DECISIONS**

- 2.1 Cabinet Resources Committee, 19 February 2007, Decision Item 8 – the Committee resolved to award:
- a) the Highways Planned Maintenance & Improvements Contract 2007-12, to Ringway Infrastructure Services Limited and to John Crowley (Maidstone) Limited (now VolkerHighways Limited); and
- b) the Highways Term Maintenance Contract 2007-12 to John Crowley (Maidstone) Limited (now VolkerHighways Limited).
- 2.2 Cabinet Resources Committee, 29 June 2011, Decision Item 8 – the Committee resolved to novate the contract referred to in paragraph 2.1(a) from Ringway Infrastructure Services Limited to Eurovia Infrastructure Limited.
- 2.3 Cabinet Resources Committee, 29 June 2011, Decision Item 9 – the Committee resolved to novate the contracts referred to in paragraphs 2.1(a) and 2.1(b) from VolkerHighways Crowley Limited (formerly known as John Crowley (Maidstone) Limited) to VolkerHighways Limited.

## **3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS**

- 3.1 The extension of the Planned Maintenance & Improvements Contract 2007-12 and the Highways Term Maintenance Contract 2007-12 would allow the continuous delivery of services, for a period of two years from 1 April 2012, that contribute to the following objectives of the Council's 2011-2013 Corporate Plan:
- A Successful London Suburb.
  - Better Services with Less Money,
  - Sharing Opportunities and Sharing Responsibilities.

In particular, these contracts directly contribute to maintaining and improving transport infrastructure, improving traffic flows, reducing journey times and improving quality of life and the local environment and creating conditions for a vibrant economy.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 Both VolkerHighways Limited and Eurovia Infrastructure Limited have offered nominal reductions in their schedule of rates, as well as other savings, in an effort to secure an extension to their contracts. If the Council was to retender these contracts, the current economic conditions could result in lower contract rates than those of the proposed extension. However, bearing in mind the Development and Regulatory Services (DRS) project, the provision of new contracts could be of a short duration and therefore any

accumulated savings would be small and unlikely to offset the additional procurement costs. Nevertheless, there is the risk that the option to extend may not be the cheapest option for the Council.

- 4.2 We have considered whether the issues involved in the extension of the existing contracts is likely to raise significant levels of public concern or give rise to policy considerations and it has been concluded that this is unlikely to be the case.

## **5. EQUALITIES AND DIVERSITY ISSUES**

- 5.1 Both the Highways Planned Maintenance & Improvements Contract and the Highways Term Maintenance Contract were procured using the Council's procurement process. As part of this procurement process, both contractors demonstrated that they will be able to support the Council in meeting its public obligations to eliminate unlawful discrimination and harassment, promote equality of opportunity, and promote good relations between people whilst undertaking work on the Council's behalf.

## **6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)**

- 6.1 There are limited resource implications in terms of officer time for the recommendation to extend the existing contracts. The main source of funding for these contracts, which is mainly spent on carriageway resurfacing and footway repairs, comes from the Planned Highways Maintenance budget (Revenue as well as Capital) and the Responsive Highways Maintenance budget (also Revenue as well as Capital). For the current financial year 2011/12 the total amount spent is estimated at £4.8m. A similar amount of spent is estimated for the next two financial years.
- 6.2 In addition to the above, under their 2011/12 Local Implementation Plan (LIP) funding TfL allocated is £1.5m of carriageway resurfacing works, bridgeworks, other highway improvements in the vicinity of London underground stations and other transport corridors and other supporting measures in the borough. Any similar future LIP allocations will be spent on the services provided under the existing contracts.
- 6.3 There are no IT or sustainability implications.

## **7. LEGAL ISSUES**

- 7.1 Contract Procedure Rule 5.6 sets out the Acceptance Parameters for Contract Additions, Extensions and Variations and Authorisation Parameters for Contract Novations and Assignments. These provisions include the following:

*5.6.1 In the case of an extension to a contract:*

*5.6.1.1 The initial contract was based on a competitive tender or quotations;*

*5.6.1.2 the initial contract has not been extended before; and*

*5.6.1.3 the value of the extension is less than half the cost of the existing contract without the extension and has a budget allocation.*

*5.6.2 In the case of a contract variation and in accordance with the terms and conditions of that contract:*

*5.6.2.1 the variation is notified to and agreed in writing with the contractor;*

*5.6.2.2 any additional expenditure necessarily incurred does not exceed 10% of the initial contract.*

- 7.2 The Contract Procedure Rule provisions having been met, appropriate legal documentation will need to be drawn up and executed to vary and extend the existing contracts.
- 7.3 Procurement processes must comply with the European procurement rules and the Treaty obligations of transparency, equality of treatment and non discrimination as well as the Contract Procedure Rules (CPR's).
- 7.4 Under the Equality Act 2010, the council and all other organisations exercising public functions on its behalf must have due regard to the need to a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; b) advance equality of opportunity between those with a protected characteristic and those without; c) promote good relations between those with a protected characteristic and those without. The 'protected characteristics' referred to are: age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination.

## **8. CONSTITUTIONAL POWERS**

- 8.1 Constitution, Part 3 – Responsibility for functions, section 3 – Responsibility of the Executive, paragraph 3.6 – terms of reference of the Cabinet Resources Committee
- 8.2 The Acceptance thresholds for contract additions, extensions and variations are as set out in Table 5-2 of the CPR's. Where the contract value is greater than £156,422 authority of the Cabinet Committee must be sought.

## **9. BACKGROUND INFORMATION**

- 9.1 Both the Planned Maintenance & Improvements Contract 2007-12 and the Highways Term Maintenance Contract 2007-12 were completed on the basis of a five year contract period with an option to extend for a further period of two years. This provision was made in order to create both procurement efficiencies for the Council as well as make it attractive for the prospective contractors to invest in these contracts. The contracts also include the option for the Council to terminate by giving the contractors not less than two months notice.
- 9.2 Officers have had a series of separate meetings with both contractors to discuss the possibility of contract extension. These discussions were aimed at identifying areas of improvements and efficiencies for both the contractors as well as the Council. These discussions culminated with a letter from each of the two contractors offering a reduction in their contract rates and other savings for the two year contract extension. The savings and reductions offered by the two contractors are shown in the accompanying exempt report.
- 9.3 The option to extend the contracts has been compared with the option to retender. Currently the market conditions are such that lower contract rates are likely to be achieved if a long term contract were offered. However, this option is associated with extensive procurement costs. Additionally, there is transformation that is taking place in Barnet with the DRS project effectively about to outsource all the technical services. With this transformation it is accepted that retendering at this stage and committing the

Council to a new long term contractual commitment is inappropriate as it would not allow the new DRS Partner to influence the service provision and introduce innovations. Therefore, the option to extend the contracts is considered to be the most appropriate at the current time.

9.4 When the original contracts were prepared in 2007 maintenance treatments were mainly traditional resurfacing, carriageway patching or carriageway reconstruction. Council officers have recently reviewed highway maintenance treatments to take into account

a) The lower available highway maintenance budgets and

b) the principles of highway asset maintenance programme (HAMP) which is currently in early stages of development.

This review has concluded that alternative maintenance treatments should be introduced to provide better value for money for Council investment. A schedule of items of work for these treatments has been prepared together with the appropriate specification and warranties and both contractors were asked to price. The prices have been checked and compared with other suppliers and included in appendix A of the accompanying exempt report. The prices represent good value for money and both schedule of rate items from the two contractors are recommended for acceptance and inclusion in the planned highways maintenance contract extension.

9.5 In previous years the Council, like all highway authorities, adopted a “worst first” approach to maintenance, allowing roads to deteriorate to a poor condition, rather than focus on a preventative approach to maintenance. The treatments covered by the new items are cheaper than the traditional resurfacing but will preserve and extend the life of carriageway for a number of years, thereby optimising the use of available resources and minimising the whole life costs of the highways. These preventative treatments are expected to help achieve a long term planning of highways maintenance.

## **10 LIST OF BACKGROUND PAPERS**

10.1 Highways Contracts extension file.

Legal – SWS

CFO – JH



Appendix A: Schedule of Priced Items covering Alternative Treatments

Item	Description	Thickness	Quantity	unit	Eurovia Rate	VolkerHighways Rate
<b>700</b>	<b>Pavements</b>					
700.156	Supply and lay Hot Rolled Asphalt surface course (HRA 55/14 F surf 40/60 des WTR) to BS EN 13108-4 2006 and PD6691. <b>65PSV</b>	50mm	<1000 1000-5000 >5000	M <sup>2</sup>	18.07 12.04 11.74	18.16 14.51 14.26
700.157	Supply and lay Hot Rolled Asphalt surface course (HRA 55/14 F surf 40/60 des WTR) to BS EN 13108-4 2006 and PD6691. <b>60PSV</b>	50mm	<1000 1000-5000 >5000	M <sup>2</sup>	15.44 11.60 11.30	17.52 13.88 13.62
700.158	Supply and lay Hot Rolled Asphalt surface course (HRA 55/10 F surf 40/60 rec) to BS EN 13108-4 2006 and PD6691. <b>65PSV</b>	40mm	<1000 1000-5000 >5000	M <sup>2</sup>	14.62 9.86 9.20	15.94 11.93 11.73
700.159	Supply and lay Hot Rolled Asphalt surface course (HRA 55/10 F surf 40/60 rec) to BS EN 13108-4 2006 and PD6691. <b>60PSV</b>	40mm	<1000 1000-5000 >5000	M <sup>2</sup>	14.52 9.69 9.10	15.69 11.68 11.47
700.160	Supply and lay Hot Rolled Asphalt surface course (HRA 55/10 F surf 40/60 rec) to BS EN 13108-4 2006 and PD6691. <b>55PSV</b>	40mm	<1000 1000-5000 >5000	M <sup>2</sup>	14.52 9.69 9.10	15.30 11.29 11.08
700.161	Supply and lay Flexiplast or similar HAPAS approved Micro Asphalt (anti-reflective cracking system)	15-20mm	<1000 1000-5000 >5000	M <sup>2</sup>	14.82 10.31 10.31	5.29 4.99 4.70
700.162	Supply and lay Asphalt reinforcement (100kn) in accordance with Clause 971AR for direct application to concrete substrate	n/a	<1000 1000-5000 >5000	M <sup>2</sup>	7.62 7.08 7.01	9.99 7.76 7.29
700.163	Supply and lay Asphalt reinforcement (100kn) in accordance with Clause 971AR for application to concrete substrate with use	n/a	<1000 1000-5000 >5000	M <sup>2</sup>	34.12 21.66 17.60	18.23 13.34 12.33

	of pad-coat/regulating layer laid 20mm thick (regulating layer to clause 937, 0/6mm SMA)					
700.164	Slurry Sealing as per Clause 918 and Appendix 7/5	n/a	<1000 1000-5000 >5000	M <sup>2</sup>	2.93 2.93 2.93	5.29 4.99 4.70
700.165	Micro-surfacing as per Clause 918 and Appendix 7/5	n/a	<1000 1000-5000 >5000	M <sup>2</sup>	3.77 3.77 3.77	5.29 4.99 4.70
700.166	Micro-Asphalt as per Clause 918 and Appendix 7/5	n/a	<1000 1000-5000 >5000	M <sup>2</sup>	5.28 5.28 5.28	5.29 4.99 4.70
700.167	Preparation for Slurry Surfacing/Micro-Surfacing/Micro-Asphalt by scabbling.	n/a	<1000 1000-5000 >5000	M <sup>2</sup>	1.95 1.75 1.25	3.53 2.94 2.35
700.168	Preparation for Slurry Surfacing/Micro-Surfacing/Micro-Asphalt by application of scratch coat.	n/a	<1000 1000-5000 >5000	M <sup>2</sup>	0.55 0.47 0.45	0.35 0.33 0.29
700.169	Preparation for Slurry Surfacing/Micro-Surfacing/Micro-Asphalt by pressure washing and drying.	n/a	<1000 1000-5000 >5000	M <sup>2</sup>	0.30 0.30 0.30	0.35 0.33 0.29



Item	Description	Thickness	Quantity	unit	Eurovia Rate	VolkerHighways Rate
700	<b>Joint/ Crack Sealing</b>					
<b>Supply and lay crack and joint sealing materials/techniques in accordance with Appendix 7/2 ( all products to have HAPAS approval)</b>						
700.170	Clause 3. Bitumen sealing of cracks. (polymer modified bitumen)		<100 100-500 >500	Lin M	11.22 2.76 1.36	32.14 5.79 2.96
700.171	Clause 4. Recess/Over-banding of cracks (Permatrac H or similar approved)		<100 100-500 >500	Lin M	30.42 16.20 13.80	49.17 15.44 12.28
700.172	Clause 5. V Notch routing		<100 100-500 >500	Lin M	32.70 16.50 14.40	17.64 16.90 16.90
700.173	Clause 6. Trenching of Bituminous layers		<100 100-500 >500	Lin M		59.54 45.36 45.36
700.174	Clause 7. Trenching of cement bound layers		<100 100-500 >500	Lin M		65.61 54.81 54.81

