
Meeting	Cabinet Resources Committee
Date	24 June 2013
Subject	Procurement of highway works through the London Highways Alliance Contract.
Report of	Cabinet Member for Environment
Summary	The report seeks approval to adopt TfL's Highways Alliance Contracts as a method for delivering highway maintenance services and award a call off contract with Conway AECOM. It also seeks approval to terminate the existing contracts before their expiry date of 31 March 2014.

Officer Contributors	Chris Chrysostomou, Asset Management, Project and Contracts Manager.
Status (public or exempt)	Public with a separate Exempt Report
Wards Affected	All
Key Decision	Yes
Reason for urgency / exemption from call-in	Not Applicable
Function of	Executive
Enclosures	Appendix 1: The Four Framework Areas & List of Tier 1 Boroughs Appendix 2: Contract Performance Regime Appendix 3: Call Off Works & Service Activities Appendix 4: Assessing Sustainability of Tenders
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1. RECOMMENDATIONS

1.1 That the Cabinet Resources Committee delegate authority to The Director of Place to:

1.1.1 Adopt the Transport for London's (TfL) Highways Alliance Contract (LoHAC) as a method for delivering the highways maintenance services currently provided through the existing maintenance contracts, at the earliest opportunity.

1.1.2 Award a "call off" LoHAC contract with Conway AECOM for the highway maintenance services and activities listed in Appendix 3 of this report for a period up to 8 years, ending on 31 March 2021.

1.1.3 Consult with the Cabinet Member for Environment finalize the terms of the call off contract including all agreements, details of the contract, the contract Bond, Notices, Certificates, Letters and other documents.

1.1.4 Set up a dedicated contract team to coordinate all LoHAC works and provide a consistent approach to contract administration, performance management and training and ensure the expected efficiencies are delivered.

1.1.5 Terminate the current two highway maintenance contracts before their expiry on 31 March 2014, with effect from 31st December 2013.

2. RELEVANT PREVIOUS DECISIONS

2.1 Cabinet Resources Committee, 19 February 2007, Decision Item 8 – the Committee agreed to award:

a) The "Planned Maintenance & Improvements Contract 2007-12", contract 50069, to "Ringway Infrastructure Limited" and to "VolkerHighways Crowley Limited", and

b) The "Highways Term Maintenance contract 2007-12", contract 50068, to VolkerHighways Crowley Limited", formerly known as "John Crowley (Maidstone) Limited.

2.2 Cabinet Resources Committee, 29 June 2011, Decision Items 08 and 09 – the Committee agreed to novate the above two contracts from "Ringway Infrastructure Limited" to "Eurovia Infrastructure Limited" and from "VolkerHighways Crowley Limited" to "VolkerHighways Limited", respectively.

2.3 Cabinet Resources Committee, 28 February 2012, Decision Item 25 – the Committee agreed to extend the above two contracts for a period of two years from 1 April 2012 to 31 March 2014.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1

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3.1 The procurement of highways maintenance works through the LoHAC contract allows the continuous delivery of services that contribute to the Council's 2013-2016 Corporate Plan.

- promote responsible growth, development and success across the borough
- support families and individuals that need it – promoting independence, learning and wellbeing
- improve the satisfaction of residents and businesses with the London Borough of Barnet as a place to live, work and study.

The LoHAC contract would directly contribute to maintaining and improving the Borough's transport infrastructure traffic flows, reduction to journey times and therefore impacts all three of the above Corporate Priorities as outline above and leads to promoting success within the Borough's communities.

4. RISK MANAGEMENT ISSUES

4.1 The financial model indicates that the LoHAC contract offers efficiencies against the existing term maintenance contracts. There is a risk that these savings will not materialise, either as a result of claims for additional costs from the contractor, or as a result of poor performance by the contractor. The Council has the option to retender the existing term contracts and select contractors dedicated to the Council. Given the huge scale of the LoHAC contract, this option is unlikely to produce lower rates and will incur significant procurement costs. However, the option to retender may be open to the Council if the anticipated savings of the LoHAC contract do not materialise.

4.2 There is a risk and concern amongst London Boroughs that the LoHAC contractors would not have sufficient resources to satisfy all the clients and that they would be concentrating their resources on TfL to the detriment of the Boroughs. However, this has been addressed by the framework contracts being independent from TfL and with all clients being treated equally and represented at the Area Management Boards. The contract also provides robust performance criteria, (details included in Appendix 2) with close monitoring and an agreed escalation process to the Area Management Boards.

4.3 The London Highways Alliance contract has been formulated as a framework contract without any exclusivity to the Highway works. Once the Council calls off this contract it will have no obligation to use this contract or raise works orders to a certain value.

4.4 The LoHAC contract is based on the NEC3 (New Engineering Contract) Conditions of Contract which officers are familiar with, as the existing highway term contracts are based on the same conditions. However, the LoHAC

contract is expected to operate differently and in addition to a heavier contract administrative burden there will be the need for officers to meet the strict timescales and procedures incorporated in the contract. Failure to do this will compromise the position of the Council with the risk of additional costs. This risk can be mitigated by channelling all LoHAC contract matters through a dedicated contract team and providing the appropriate training. TfL is providing basic training on LoHAC free of charge but this has been limited to two officers at a time and may need to be supplemented.

- 4.5 Officers have considered whether the issues involved in the joining of the new London Highways Alliance Contracts are 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 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 and sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination.

- 5.2 The LoHAC team, as part of the pre-qualification assessment, have carried out an equality assessment of all the tenderers. The LoHAC contractor has made a commitment to implement the legal requirement of equalities and diversity in all aspects of his work within the London Borough of Barnet including the use of local contractors, other supplier and smaller companies whenever possible. The LoHAC contract requires the recruitment of local apprentices which will help local young people into employment.

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

- 6.1 A financial model was built to compare the rates of the LoHAC contract with those of the existing term contracts. Where appropriate, the model incorporated actual past schemes with allowance for price fluctuation to make the rates comparable to the LoHAC rates. Details of the comparison of these contracts are included in the Exempt part of this report. The model indicates that the contract should offer savings against the existing contracts. However, it must be emphasised that some of these savings are believed to be the result of the current market conditions compared to those six years ago and most likely, would have been achieved if the existing term contracts had been retendered. On the other hand, however, the model assumes that the type and volume of work that has been carried out in the past will continue in the future. This may not be the case as the new contract offers access to a much wider range of products and services, such as Design Services, and may offer new and more efficient solutions to solve highway problems.

- 6.2 The NEC3 Conditions of Contract prescribe the use of documents such as notices, instructions, letters, certificates and other standard forms within strict timescales. In addition, it is generally accepted that with contracts such as LoHAC, where the tendering has been very competitive, there will be a tendency for the contractor, where possible, to claim additional costs. It is therefore suggested that all contract matters such as correspondence, issuing of works orders, and payment of invoices are channelled through a dedicated contract team to ensure a consistent approach to contract administration is maintained. It is anticipated that the additional resources required could be provided from within the existing highways structure and admin support with only the need for one or two additional posts. Any additional costs will therefore be limited and could easily be funded from the created efficiency savings.
- 6.3 As the LoHAC contract is proposed to cover the highway services provided by external contractors there will be transfer of staff from contractor to contractor, under the TUPE regulations. For this purpose, at least one of the existing contractors has submitted the relevant information, which was made available to all the tenderers. There are no financial implications to the Council for this transfer.
- 6.4 The LoHAC contract covers highway services currently provided by the Council's in house Direct Labour Organisation (DLO). These services are the provision of Winter Maintenance Service, Emergency Call out Service and the provision of Responsive Highway Maintenance service. It should be noted that any future expansion of the LoHAC contract to include any of the DLO provided services may involve the transfer, under TUPE, of Council employed staff to the new contractor. Such a transfer may have additional financial implications to the Council and the LoHAC contractor will need to see details of these staff and the relevant Actuarial report before these costs can be assessed. The LoHAC contractor, however, will need to justify any additional costs with clear calculations.

7. LEGAL ISSUES

- 7.1 The procurement process was carried out in full compliance with EU legislation and the Public Contract Regulations 2006 following the publication of an OJEU notice which was published on 03/10/2011.
- 7.2 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 requirements and to incorporate lessons which have been learnt during the term of the previous TfL contracts. The Council will therefore be able to select only the services required under this contract without any obligation of raising a minimum value of works orders.
- 7.3 A framework contract established under the regulations should not exceed 4 years except in exceptional circumstances (Regulation 19.10). The LoHAC framework contract is for a period of eight years. The justification for the duration of the framework exceeding four years has been set out in the OJEU (Official Journal of the European Union) 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 eight years. The eight year duration will allow contracting authorities whose current contracts expire in the next few years to call-off the frameworks (increasing the opportunity for economic operators), for expensive plant to be properly depreciated and for better value to be achieved when negotiating leases for required depots.”

- 7.4 The implications of terminating early the existing highways term maintenance contracts have been discussed with the Council’s Legal team. It has been established that both existing contracts have been prepared with the option for the Council to terminate by giving the contractors a notice of not less than two months. The Legal team have further advised that the recent two year contract extension does not affect the Council’s right to terminate. Also, that under the right to terminate, the Council is not liable for any costs the contractors may have incurred in expectation of providing a service for the whole term of the contract or for any refund of discounts offered for the contract extension.

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

- 8.1 The Councils Constitution, Responsibility for functions, highlights the powers of the Executive, as identified with the terms of reference of the Cabinet Resources Committee.

9. BACKGROUND INFORMATION

- 9.1 In March 2007, the Council awarded two five year contracts for highway works: the Planned Maintenance & Improvements Contract 2007-12 and the Highways Term Maintenance Contract 2007-12. The former was awarded to two contractors, “Eurovia Infrastructure Limited” and “Volkerhighways Limited”, and the latter to Eurovia. Both contracts have been extended for a period of two years, from 1 April 2012 to 31 March 2014. The decision to extend the two contracts was justified by both contractors offering a reduction in their contract rates and other savings as well as the opportunity to participate in the LoHAC Contract, which was in preparation at the time. Both contracts provide the option for the Council to terminate by giving the contractors not less than two months notice.

- 9.2 The highway works under the above existing contracts cover the larger planned maintenance schemes, other improvement schemes, construction of crossovers and the reactive works and cyclic works. A breakdown of the main spend headings is given in the table below:

Contract	Area	2010/11 Spend (000’s)	2011/12 Spend (000’s)	2012/13 Spend (000’s)
Highways Planned Maintenance &	Principal Road Resurfacing	£760	£653	£945
	Borough Road Resurfacing	£1,500	£2,000	£3,000
	Borough Footways	Nil	Nil	£3,500

Improvements Contract	Crossover Construction LIP Neighbourhoods & Corridors	£178 £1,995	£418 £1,907	£494 £237
Total		£4,433	£4,978	£8,176
Highways Term Maintenance Contract	C/way & F/way Responsive Ditch & Drainage Improv. Gully Cleansing Bridges Maintenance Weed Spray Other Reactive Maint (Signs, Road Markings, Width Restrictions, etc)	£1,350 £200 £300 £150 £70 £110	£1,200 £200 £300 £150 £70 £110	£1,150 £321 £300 £150 £70 £110
Total		£2,780	£2,630	£2,701

The total average spend of the last three years is £8,566,000 per year.

- 9.3 The London Highway Alliance Contract (LoHAC) is a collaborative highways maintenance and improvement schemes contract developed for use by TfL and all London Boroughs. In 2010 Transport for London (TfL) and the London Boroughs began the procurement process for pan London Highways contracts, with the aims of reducing costs through the use of:
- common specifications;
 - economies of scale across four contract areas in London;
 - contractual obligations for year on year savings;
 - London Living Wage agreements and open book accounting by 2015.
- 9.4 Four contracts have been prepared, based on geographic areas as shown in Appendix 1, covering the whole of London: North East, North West, Central and South. The London Borough of Barnet is part of the Northwest Area, together with the Boroughs of Brent, Harrow, Ealing, Hounslow and Hillingdon. The Council is also one of the twelve “Tier 1” Boroughs who expressed interest in joining LoHAC during the first year. The procurement process was managed by TfL with the close co-operation of the London Boroughs. Barnet is one of the clients for the North West Area and officers were directly involved in the production of the contract documents without incurring any direct procurement costs. The Council is represented on the Contract Development & Management Board.
- 9.5 The framework agreements contain the mechanism for call-off contracts to be formed. Each client will form their own call-off contract with the area contractor. Neither TfL nor any other Borough will be party to this Council’s call-off or will have any liabilities associated with each others call-offs. The Council will also 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. Other benefits include having access to any innovation developed in other areas via a series of Area Management Boards upon which the London Borough of Barnet will be represented.

9.6 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.

9.7 The Strategy included:

- (a) the four area-based LoHAC framework agreements will be of eight years duration (see paragraph 7.3 above), with call-off contracts able to be formed at any time during the framework agreement; and
- (b) to drive maximum value through this procurement a multi stage evaluation process was employed:
 - (i) A rigorous pre-qualification process assessed the generic capability of bidders to deliver the requirements.
 - (ii) Bidders were given a general briefing and individual meetings to ensure they fully understood the requirements.
 - (iii) 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.
 - (iv) 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.
 - (v) 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).
 - (vi) 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.

9.9 A turnover, or 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 area framework contract. All clients, including the London Borough Barnet, will benefit financially as more Boroughs join and the contractor's turnover increases.

9.10 Other features of the contract include:

- The adoption of new price adjustment indices that are expected to lead to a further 2% saving;
- recruiting apprentices (a minimum of 120 across London);
- fitting vehicles with cyclist protection devices, and
- all vehicles to meet the Euro standards for low emissions.

9.11 The facility to move the delivery of core services from a series 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. It is possible that the London Borough of Barnet will consider migrating to lump sums and potentially target cost from 2015 onwards, if financial benefit can be demonstrated following analysis of contractors' costs (captured through the open book accounting arrangements).

9.12 Tenders were invited in early 2012 and jointly evaluated in August and September 2012. The contracts are for 8 years from April 2013 to March 2021, depending on the performance and quality of the contractor. Appendix 2 shows details of contract performance regime. The successful bid for the North West area that includes the London Borough of Barnet came from an F M Conway/AECOM Joint Venture. Tender evaluation scores are set out in the exempt report. Tendered rates and prices appear to represent a saving of some 15-20% on typical Barnet schemes against London Borough of Barnet existing contracts (tendered in 2006). This efficiency has been calculated using a model developed by the London Borough of Barnet with assistance from TfL, which compared the rates in LoHAC against our current suppliers on a like for like basis.

9.13 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. It is worth emphasising that there are also non-financial benefits which include:

- Highways maintenance delivered using a common specification, thus increasing contractor efficiency and simplifying contract management;
- A common specification simplifies on-going asset management and maintenance;
- A common specification across London and identical rates in each of the four areas will enable comparison of prices and challenging contractors.
- The long term nature of this contract enables contractors to make the necessary resource investment to deliver lasting cost and quality improvements; and
- Closer working relationships established between the London Borough of Barnet, London Boroughs and TfL leading to highways maintenance being delivered in a consistent manner across London.

9.14 Under the terms of the contract the contractor must:

- Establish a complaints procedure and provide the Council with copies of the Contractor's records relating to complaints and the contractor's response.
- Register under the Considerate Contractor's Scheme and to comply with the Considerate Contractor's Scheme Code of Considerate Practice.
- Join the Freight Operator Recognition Scheme and to fit blind-spot warning devices to heavy goods vehicles
- Identify possible sources of pollution and provide details on how they will prevent and reduce them.
- Ensure that none of its employees and that none of the employees of its subcontractors and indirect subcontractors are paid an hourly wage less than the London Living Wage.

9.15 Following approval of the award Council officers will:

- i. Work with the contractor, along with other Boroughs joining LoHAC, and TfL, to establish a joint mobilisation team to ensure the smooth implementation of the framework agreement and associated call-off contracts.
- ii. Participate in a cultural change programme designed to enhance cross organisation working amongst all framework parties, part funded by the DfT national highways maintenance efficiency programme.
- iii. Help design and attend joint client and contractor training workshops to support effective and efficient operation of the new contract.

9.16 Appendix 3 lists the LoHAC works and service activities that are due to form part of the Call Off contract and those that are available as further options for future inclusion. The latter clearly highlights those activities that are currently being carried out in house and any future call off may require the transfer of Council staff, under TUPE, to the LoHAC contractor.

9.17 Details of Assessing Sustainability of Tenders are included in Appendix 4.

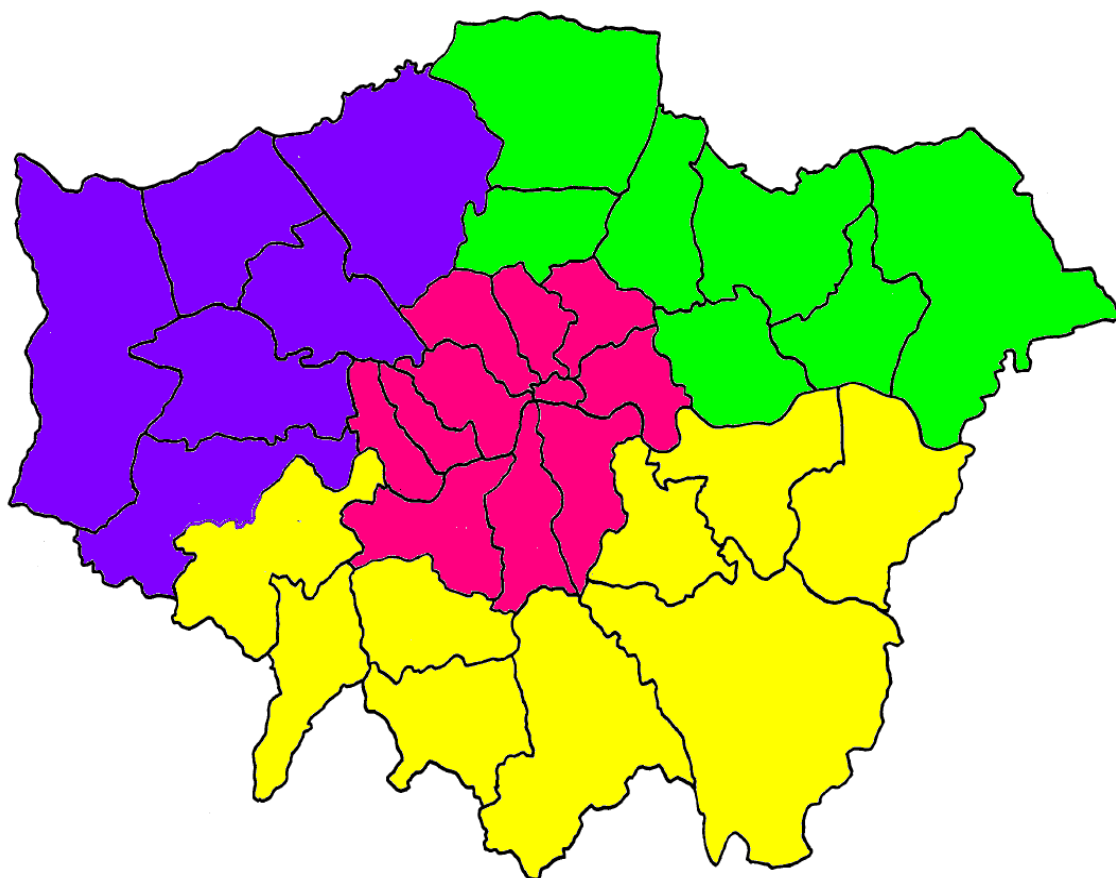
Details of the Tender Process and Evaluation Results are shown in the Exempt report with details of the savings the proposed adoption of LoHAC contract will bring to the Council.

10. LIST OF BACKGROUND PAPERS

10.1 London Highways Alliance Contracts file.

Cleared by Finance (Officer's initials)	JH
Cleared by Legal (Officer's initials)	SD

APPENDIX 1 –THE FOUR FRAMEWORK AREAS & LIST OF TIER 1 BOROUGHGS



LIST OF TIER 1 BOROUGHGS

South area: Kingston upon Thames, Greenwich, Bexley, Bromley and Lewisham.

Central area: Islington, Camden, Lambeth, Southwark and Tower Hamlets.

North West area: Barnet and Brent.

North East area: No Borough existing contracts expire in 2013.

APPENDIX 2- Contract Performance Regime

The best option for contractor incentivisation is considered to be the award of an eight year fixed length framework contract with a duration reduction mechanism option.

The recommended approach builds on current experience and seeks to improve it. A review has been undertaken of Borough Contracts incorporating Performance Indicators/Measures. This identified that authorities have adopted a mixture of performance indicators and measures.

Discussions have taken place with borough officers at London Technical Advisors Group (LoTAG) Sector Group meetings at which there have been wide ranging views on an appropriate performance management regime and the approach to be taken on developing an appropriate set of KPI's for the LoHAC.

Prior to developing a new performance measurement model, feedback was sought from industry, via the Highways Term Maintenance Association (HTMA), on its experience of good and bad approaches.

Performance will be monitored at both Area and Framework level (pan London) through the Area Management Boards and Strategic Board.

The methodology chosen has been developed with simplicity in mind – it being important that any performance management mechanism is manageable for both parties and does not add unnecessary cost:

Primary Performance Indicators (PPIs) and Secondary Performance Indicators (SPIs)

This approach addresses performance measures at two levels. At a strategic level there are five PPIs (see table 1 below) which are linked to the authorities key objectives for the contract and 21 SPIs (see table 2 below) which focus on detailed contractual compliance.

Contractor Incentivisation

Starting in the second year, the contractor's performance in the preceding year is assessed against the five PPIs and SPIs. If for a Relevant Year the contractor achieved the consolidated annual target for the PPIs and the monthly target for a minimum of eight months for the PPIs in that year, then the Term is not reduced.

If the Contractor achieves the requirements for fewer than five PPIs then performance against the SPIs is reviewed. If the contractor achieves the consolidated annual target for 75 per cent or more of the SPIs, then at the Term is not reduced.

However, if the contractor achieves fewer than four out of the five PPIs and less than 75 per cent of the SPIs, then the Term is reduced by six calendar months.

If during the following year performance improves to the required level, then the lost time is won back. If performance does not improve then the Term is reduced by another six months.

Reduction of duration in two consecutive years gives the framework employer the right to terminate.

This approach is a very powerful tool to keep the contractor focused on constantly performing.

Reporting Process

PPIs and SPIs will be reported four weekly to Area Management Boards for review. Part of the Area Management Board's responsibility will be to undertake benchmarking across the four frameworks.

The contractor will report against the entire suite of PPIs and SPIs in a way which gives visibility of their performance on each client's network. This approach will enable individual clients to evaluate the contractor performance on their network and where necessary discuss areas for improvement with action plans etc. implemented at contractors cost.

A contractor league table will be introduced to drive competition between the four contractors and in turn improve the overall standard of performance.

Table 1 – PPIs for LoHAC Contracts

Indicator Number	Performance Theme (Outcome)	PI Title	Indicator Outcome
1	Public and Workforce kept Safe	Percentage of Cat 1 defects repaired on time	Ensure the network is safe for all forms of traffic.
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.
8	Preventative Maintenance is effective	Delivery of Cyclic Activities to programme	Increased availability of the network through preventative maintenance.
16	Scheme Delivery is Effective	Percentage Schemes completed on time	Ensure that the programme is delivered swiftly and efficiently.
20	Contract Requirements fulfilled	Percentage Schemes/ Works where final application payment was submitted on time	Timely and efficient processing of financial payments on completion of all works.

Table 2 - SPIs for LoHAC Contracts

Indicator Number	Performance Theme (Outcome)	PI Title	Indicator Outcome
2	Public and Workforce kept Safe	Percentage of Cat 2 defects repaired on time	Ensure the network is safe for all forms of traffic.
3	Public and Workforce kept Safe	Percentage of Safety Inspections completed on time	Ensure Safety defects are identified and appropriately categorised.
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.
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.
7	Reduced Disruption on the Network	Percentage of works complying with the TMA requirements	Ensure the Employer meets their Network Management Duty.
9	Preventative Maintenance is effective	Completion of Ordered Works to timescale	To demonstrate effective planning and programming of works.
10	Preventative Maintenance is effective	Average number of days to repair Lighting Defects	Well maintained Lighting.
11	Preventative Maintenance is effective	Availability of Employer defined Tunnel Assets	Well maintained Tunnels.
12	Preventative Maintenance is effective	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.
13	Responsible attitude to Procurement Strategy	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.
14	Responsible attitude to Procurement Strategy	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.
15	Responsible attitude to Procurement	Percentage of Contractor vehicles which meet the required Euro Standards	Reducing the environmental impact of the vehicle fleet.

	Strategy		
17	Scheme Delivery is Effective	Percentage of Schemes where defects were rectified within required time	Minimum impact on the Customer after Scheme completion.
18	Scheme Delivery is Effective	Percentage of acceptable Health and Safety file information received within four weeks of scheme completion	Enable the Employer to fulfil its legislative requirement under CDM Regulations 2007.
19	Scheme Delivery is Effective	Average absolute variance between the Contractor's estimate and the Employer's instructed value for scheme works	Accurate forecasting of financial information.
	Contract Requirements fulfilled	Percentage compliance to updating Employer asset inventory systems within Employer timescales	Employers Asset Management System is updated promptly and accurately.
	Contract Requirements fulfilled	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.
	Contract Requirements fulfilled	Percentage of estimates for Employer instructed works received within required timescales	Ensure timely and efficient processing of instructed works.
	Contract Requirements fulfilled	Early Warning/Compensation Events Register	Timely response to Early Warning Notices and Compensation Events.
	Improved Customer Satisfaction	Response to Complaints and Requests requiring Contractor action within contractual timescales	Improved public perception of the services provided.
	Improved Customer Satisfaction	Third Party Claims against Contractor	Effective assistance in defence of third party claims

Appendix 3- CALL OFF WORKS & SERVICE ACTIVITIES

Service	All activities indicated below are due to form part of the Call Off Contract and will be paid for using a priced schedule of rates (SoR)
1	Inspection of Highway Structures
2	Site Investigations and Surveys
3	Road Pavements (including minor repairs and resurfacing)
4	Kerbs, Footways and Paved Areas
5	Traffic Signs
6	Road Markings
7	Fencing
8	Road Restraint Systems (including pedestrian guard railing)
9	Drainage (excluding gulley cleansing)
10	Earthworks
11	Bridges and other Structures
12	Street Furniture (excluding signs, lighting columns and pedestrian guard railing)
13	Street Cleaning (including gully cleansing; excluding sweeping and litter picking)
14	Civil Engineering Support Works for Traffic Signals/Control Equipment
15	Design Services

Service	Further options for call off contract works & services activities	Comments
16	Safety Inspections (Annual lump sum only)	See Note 1
17	Service Inspections (Annual Lump Sum only)	See Note 1
18	Emergency Call-Out Service See Note 1	See Note 1
19	Lighting (including electrical work for signs, etc)	See Note 2
20	Horticulture, Arboriculture, Landscaping and Ecology	See Note 1
21	Street Cleaning (sweeping and litter picking)	See Note 1
22	Tunnels	No Tunnels in the Borough
23	Winter Service (Lump Sum service and treatments through the SoR)	See Note 1

Note 1: The Calling off of this Service may involve the transfer of Council staff, under TUPE, to the LoHAC contractor.

Note 2: All Lighting Works are currently carried out by the PFI Contractor.

APPENDIX 4- TENDER PROCESS AND EVALUATION RESULTS

1.1 Tender Pre-Selection Process

1.1.1 The tender pre-selection process (pre-qualification) took place in December 2011 with the following bidders:

Amey
Balfour Beatty Living Places
Ringway Jacobs
Colas-Volker Highways-URS Scott Wilson
MGWSP (May Gurney – WSP)
EnterpriseMouchel
FM Conway-AECOM
Skanska Construction UK/ Project Centre
Costain-J Murphy & Sons-Capita Symonds
Bam Nuttall-Hyder Consulting.

1.1.2 Five bidders from the above list were invited to tender for the NW area.

1.1.3 Five tenders were received. Following the initial compliance stage there was a three stage evaluation process:

- Stage 1 – Independent evaluation of tenderers' Quality and Financial submissions from which an overall Tender Score was calculated for each tender. Tenderers were then ranked.
- Stage 2 – Tenderers ranked in the top two (or three) in more than one area, (based on overall Tender Score), and were invited to demonstrate their ability to deliver multiple areas.
- Stage 3 – BAFOs invited from shortlisted tenderers.

1.2 Stage 1 Initial quality and financial evaluation.

1.2.1 There were four Quality Evaluation Panels – one for each area including evaluators from TfL and London Boroughs and a range of specialist expertise. There were 35 post-tender clarifications and Consensus meetings were held between 3 - 11 July 2012.

1.2.2 The Financial Evaluation Panel operated independently of the Quality Evaluation Panels. There was also a through clarification process to address errors, missing rates, caveats and assumptions, and rates outside the group norm. Quality and Financial Scores were combined using a 30:70 ratio to calculate an overall Tender Score. Top two tenderers shortlisted (or three where there was no clear distinction between second and third place).

Stage 1 results for NW

Tenderer	Quality score	Financial Score	Tender Score	Rank
4	70.6	62.2	64.7	1
8	64.6	45.6	51.3	2

7	64.2	42.1	48.8	3
2	Pass threshold not met	n/a	n/a	n/a
3	Pass threshold not met	n/a	n/a	n/a

1.3 Stage 2 Multiple areas

1.3.1 Tenderers shortlisted in more than one area were invited to respond to seven pass/ fail criteria to demonstrate their capability and capacity to deliver multiple areas. The criteria included:

- Financial stability
- London workload
- Changes to organisational structure and/ or depot strategy based on delivering multiple areas
- Approach to delivering key services.
- Mobilisation plan
- Risk register

1.3.2 Four bidders were potentially able to submit multiple area bids. Members of the Quality Evaluation Panel undertook multiple area evaluation and two multiple area bids were considered acceptable from a quality perspective:

- Tenderer 1 for North East and Central
- Tenderer 4 for North East and North West

1.4 BAFO (Best and Final Offers)

1.4.1 BAFOs were invited from shortlisted tenderers based on delivering the areas they had been shortlisted in. Tenderers 1 and 4 were invited to submit BAFOs based on delivering the combination of areas they were deemed capable of delivering. Tenderers 7 and 10, who were not shortlisted, were informed they would not be invited to BAFO.

1.4.2 BAFOs were submitted on 28 August 2012. The submissions were evaluated by the Financial Evaluation Team using the financial evaluation model. On average tenderers offered a 4% reduction in rates and prices through the BAFO stage. The table below sets out the range of options evaluated and the award of Framework Agreements based on the best financial combination for the whole of London.

	North East	North West	Central	South	Percentage increase in cost
1	Tenderer 1	Tenderer 8	Tenderer 5	Tenderer 4	
2	Tenderer 1	Tenderer 8	Tenderer 1	Tenderer 4	+0.1
3	Tenderer 4	Tenderer 4	Tenderer 5	Tenderer 8	+0.2
4	Tenderer 4	Tenderer 4	Tenderer 1	Tenderer 8	+1.3
5	Tenderer 1	Tenderer 4	Tenderer 1	Tenderer 8	+1.7

6	Tenderer 1	Tenderer 4	Tenderer 1	Tenderer 8	+1.8
7	Tenderer 5	Tenderer 8	Tenderer 1	Tenderer 8	+2.5
8	Tenderer 5	Tenderer 4	Tenderer 1	Tenderer 8	+4.2

APPENDIX 5: ASSESSING SUSTAINABILITY OF TENDERS

To confirm that the bids are sustainable, TLHM have confirmed that they have analysed the preferred bid using the following methodology:

- a) A comprehensive review of the rates and prices tendered was undertaken for each bidder before the rates and prices were entered into the tender evaluation model. Any rates or prices identified outside of the norm, either being considered too high or too low were queried with the bidder. The bidder was then given the opportunity to confirm or revise these rates if they had been incorrectly priced. In most cases the bidder confirmed the rate or price was correct. Where they stated was incorrect, the rate was then adjusted.
- b) Each bidder pricing was compared against those tendering in that areas and against those tendering in other areas to ensure none were unreasonable low – none were.
- c) Each bidder was required to provide a resource plan stating labour and management levels. This was then compared against the tender lump sums to determine each bidder's expected sales per individual. This figure was then checked against the estimated cost of employment to determine if expected income was sufficient to match fixed outgoing. In all cases it was adequate.
- d) A comparison was undertaken analysing what percentage of total turnover each bidder expected to come from the three key contract activities; lump sum maintenance, reactive work and projects. In all cases bidder had constructed their bid on broadly similar expectations of work volumes and type.

The result of this analysis was that TLHM have concluded the costs of the bid to be sustainable.

The bids were also assessed to ensure that the quality of work is sustainable. To validate the quality proposals, TLHM have confirmed this has been carried out using the following methodology:

- a) An expert panel (including Brent Council staff) undertook the quality submission evaluation and they did not give undue weighting to promises not backed by resources.
- b) One to one meetings were held with the bids teams to check our understanding of their proposals and their approach to working with multiple clients.
- c) Boroughs, TfL and contractors will establish joint mobilisation teams to ensure the smooth implementation of the framework agreements and associated call-off contracts.
- d) The quality submissions contained a series of commitments, some of which would commit the successful supplier to methodologies that will bring innovations, added value, robust risk management, efficiencies and

enhanced output quality. To ensure these are delivered, the preferred bidder's submission has been analysed and the quality promises have been identified. These will be formalised contractually, by embedding the bidders entire quality submission in to the final contract and compliance against them will form part of the on-going performance management regime.