

**SURREY COUNTY COUNCIL**

**CABINET**

**DATE: 15 DECEMBER 2015**



**REPORT OF: MR JOHN FUREY, CABINET MEMBER FOR HIGHWAYS,  
TRANSPORT AND FLOODING**

**MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS  
SERVICES AND RESIDENT EXPERIENCE**

**LEAD OFFICER: TREVOR PUGH, STRATEGIC DIRECTOR FOR ENVIRONMENT  
AND INFRASTRUCTURE**

**SUBJECT: AWARD OF A FRAMEWORK AGREEMENT FOR THE  
PROVISION OF SURFACE DRESSING ON ROADS**

#### **SUMMARY OF ISSUE:**

This paper outlines the recommendation to approve the award of a five year framework agreement that will allow for direct access to approved suppliers to deliver the surface dressing works.

Following a comprehensive procurement activity, it is proposed that the five year framework agreement contract be awarded naming three approved contractors; Road Maintenance Services Limited, Hazell & Jefferies Ltd and Kiely Bros Ltd be authorised.

The total maximum framework agreement value over five years is up to £20m, to enable flexibility of spend, although estimated annual spend is currently £2.5m.

Due to the commercial sensitivity involved in the contract award process, financial details of the proposed contractors have been circulated as a Part 2 Annex.

#### **RECOMMENDATIONS:**

It is recommended that:

1. The framework agreement is awarded to:
  - a) Road Maintenance Services Limited
  - b) Hazell and Jefferies Ltd
  - c) Kiely Bros Ltd
2. Authority is delegated to the Strategic Director for Environment and Infrastructure, in consultation with the Leader, the Cabinet Member for Highways, Transport and Flooding and the Section 151 Officer, to award annual contracts, above £0.5m in value, where a mini-competition procedure has been followed under this Framework Agreement.

## **REASON FOR RECOMMENDATIONS:**

A full tender process, both in compliance with the Public Contracts Regulations 2015 and Procurement Standing Orders, has been completed and the recommendations provide best value for money. The tender process was constructed based directly on findings from three pre procurement activities; these are detailed in the 'Background and Procurement Strategy' section.

## **DETAILS:**

### **Background**

1. Surface dressing allows the road surface to be sealed preventing water penetrating the deeper road layers which can cause pot holes and other defects. This process typically is applied to a road every 7 years as a usual road life cycle.
2. In order to effectively manage the maintenance of the road network Surrey Highways operates an Asset Management approach which aims to maximise the life of the asset through various preservation techniques.
3. Surface dressing is one such preservation technique that is designed to extend the life of a road surface by up to 10 years.
4. The process of surface dressing is common practice within the highways industry however there are key elements of the activity which determine success. It is not suitable for all road types and Highways ensure that road layouts and speed are suitable for recommended treatment. Specific areas of delivery were assessed within the procurement process and are summarised as:
  - a. Scheme design – recognising site specific conditions and designing the approach accordingly.
  - b. Programme management –Surface Dressing is a seasonal activity and cannot be undertaken during wet or cold weather. Strong programme management functions need to be in place to effectively manage delivery tolerances.
  - c. Customer service – this process has high customer exposure and requires high levels of both proactive customer engagement to ensure a positive customer experience and reactive customer service to resolve issues quickly and effectively should they arise.
5. The preservation process is critical to enable the sustainable maintenance of Surrey's highway network. Surrey requires a framework agreement mechanism in place to enable Surface dressing works to be delivered commencing May 2016.
6. The surface dressing framework agreement supports the objectives of the main Term Maintenance Contract with Kier services as it allows the council to deliver a preventative solution in parallel with the more invasive road surfacing programme, which is delivered by Kier when either the road is at the end of its natural life (i.e project horizon) or needs urgent pothole repairs.

## Procurement Strategy

7. The procurement strategy for this framework agreement was developed using the learning from previous programmes and market analysis. The following activities and findings shaped the approach taken:
  - a. A tender exercise was undertaken in 2014 based primarily on the previous contract. However, we were unable to identify a suitable supplier and as a result, no contract was awarded. An interim set of arrangements with three contractors was therefore implemented for a single year (2015).
  - b. A market engagement activity was undertaken to understand:
    - i. how the Council could structure the tender and contract in order to secure the best outcome;
    - ii. what would make the proposed contract attractive to suppliers in order to generate the best response.
  - c. There were seven responses from the market all of which made positive recommendations to future procurement activities.
8. These three key events provided valuable considerations to be made in the options analysis process of determining an appropriate procurement strategy. The key outputs from this analysis were as follows;
  - a. The expectations on contractors must be clearly defined.
  - b. Direct contracts with the client were preferred in comparison to sub-contractor arrangement, via a managed service provider.
  - c. Long term contracts provide surety of work and are more likely to secure a better price.
  - d. Performance related incentives were supported.
  - e. Recognising desired flexibility of the client framework agreement models were supported.
  - f. Enabling the opportunity to capitalise on benefits achieved through accessing Small and Medium Enterprise (SME) businesses.
9. These outputs shaped the procurement strategy which ensured that the procurement route chosen captured all the lessons learnt and met the requirements of the Council.
10. The interim delivery model for 2015 enabled a trial scenario to be tested of a framework agreement model. There were three contractors operating within the county concurrently all of whom delivered their works successfully and provided the service confidence in operating a flexible framework agreement model.
11. Pre-procurement activities ensured interest from the market for the tender, driving competition and consequently the quality of bids.
12. An invitation to tender was advertised openly as per the OJEU process. These tenders were then evaluated against the following criteria and weightings, the results and approved suppliers are listed in Part 2. The evaluation was based on 40% price and 60% quality.

13. The quality evaluation was scored on six main categories; Technical Compliance, Design, Permitting, Customer Service, Programme Management and Contingency, Sustainability and Social Value and Innovation. These areas had previously been identified as crucial to service delivery success.
14. The works will be awarded via a mini competition held annually. Each year all three contractors will be invited to submit revised rates, and these in conjunction with additional weighting provided via performance data (from previous work undertaken), will be used to determine the winning supplier(s) for the following year's programme.
15. The framework will be managed within the service utilising Key Performance Indicators (KPIs) as a performance monitoring mechanism.

### **Key Implications**

16. By operating a framework agreement with multiple suppliers the Council has flexibility and supply chain resilience to adapt the supply chain as and when required. This may be due to increased works orders resulting in a need for a greater number of suppliers, reduced works due to financial constraints, or replacing a supplier should there be a drop in performance/quality from the list of approved suppliers.
17. By allowing for a five year framework agreement there is clear communication to the market place that the intention of the Council is to operate all the highways contracts in a strategic manner and to align expiry dates of contracts whilst providing a clear forward plan of work delivery. The decision to allow for a five year length framework term was clearly outlined as part of the OJEU notice ensuring openness and transparency of the councils approach.
18. The Key Performance Indicator model for this framework agreement provides a mechanism which both incentivises current and future suppliers. The framework agreement will generally be utilising two of the three suppliers in anyone year, these active suppliers will then be assessed via the KPI's and the output will directly affect their scores within the mini competition for the following year's work. This not only ensures a good level of performance from the active suppliers but also allows opportunity for the remaining supplier/s to provide competitive bids for each annual mini competition.

### **CONSULTATION:**

19. Consultation was undertaken thoroughly throughout the procurement process with all stakeholders including the highways service and the market industry place.

### **RISK MANAGEMENT AND IMPLICATIONS:**

20. The following key risks associated with the contract and contract award have been identified, along with mitigation activities:

Category	Risk Description	Mitigation Activity
Financial	Varying budgets prevent accurate forecasting of annual framework agreement spend in advance.	Improving operating process within the service in relation to asset management strategy will increase our ability to forecast.
Reputational	Successful supplier does not have necessary skills, experience and technical knowledge to satisfactorily complete the elements of the contract(s)	Tender process to include 60% quality element towards overall contract(s) award, including clarification meetings if any officer concerns remain post tender process. Post contract remedies available under the contract. In addition all bidders to this framework have previously undertaken work on behalf of SCC which has been successful.
Reputational	Issuing a framework agreement which is not fit for purpose for internal customers or external suppliers.	The replacement of a new Surface Dressing framework agreement through quality, specialist suppliers, following a thorough contract procurement exercise. Regular contract performance meetings to ensure adherence to works programmes and agree recovery actions if required.

#### **Financial and Value for Money Implications**

21. Full details of the contract value and financial implications are set out in the Part 2 report. The estimated costs have been based on previous costs, and market knowledge. The total contract value is up to £20m for the full five year duration with an estimated spend of £2.5m per annum.
22. The procurement activity has resulted in a price marginally higher than the submitted rates in the 2014 tender.
23. Benchmarking information will be shared with East Sussex County Council.

#### **Section 151 Officer Commentary**

24. The proposed framework agreement is expected to result in a cost that is marginally higher than the current arrangement, as set out in part 2 of this paper. The framework will provide flexibility to accommodate changes in the size of the annual surface dressing programme. Work will be awarded through an annual competition which will provide further opportunity to obtain value for money.

#### **Legal Implications – Monitoring Officer**

25. The Council has a duty to secure best value and to comply with relevant statutory provisions in the way in which it procures services. The procurement exercise undertaken to secure the provision of the services as outlined in this report complies with those requirements.

## **Equalities and Diversity**

26. An Environment Impact Assessment was undertaken and the findings of which directly influenced the marking criteria of the Surface dressing tender. Customer Service was an area identified as high priority within the EIA findings and this was recognised accordingly.

## **WHAT HAPPENS NEXT**

27. The timetable for implementation is as follows:

<b>Action</b>	<b>Date</b>
Cabinet decision to award	15 December 2015
'Alcatel' Standstill Period	24 December 2015 to 13 January 2016
Contract Signature	18 January 2016
Contract Commencement Date	20 January 2016

28. The Council has an obligation to allow unsuccessful suppliers the opportunity to challenge the proposed contract award. This period is referred to as the 'Alcatel' standstill period.

### **Contact Officer:**

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### **Consulted:**

Surrey Procurement and Commissioning  
Surrey Highways Service  
Surrey Legal Service