

**SURREY COUNTY COUNCIL****CABINET****DATE: 2 FEBRUARY 2016****REPORT OF: MS DENISE LE GAL, CABINET MEMBER FOR BUSINESS SERVICES AND RESIDENT EXPERIENCE****MR JOHN FUREY, CABINET MEMBER FOR HIGHWAYS, TRANSPORT AND FLOODING****LEAD OFFICER: MR TREVOR PUGH, STRATEGIC DIRECTOR FOR ENVIRONMENT & INFRASTRUCTURE****SUBJECT: COUNTRYSIDE WORKS FRAMEWORK****SUMMARY OF ISSUE:**

This paper outlines the recommendation to Cabinet to approve the award of a 4 year framework that will allow for direct access to approved suppliers to deliver Countryside Works to the County and its Districts & Boroughs (D&BS).

Following a comprehensive procurement activity, it is proposed that the 4 year framework be awarded naming 34 approved contractors across 5 lots, as set out in the Part 2 report.

The total maximum framework value over 4 years is up to £25m, although the estimated Surrey County Council (SCC) annual spend is £4m. The additional value between £16m - £25m is to allow for the D&BS, East Sussex County Council (ESCC) and Hampshire County Council (HCC) to be able to use this framework.

Due to the commercial sensitivity involved in the contracts award process, the names and financial details of the potential suppliers have been circulated as a Part 2 report (item 16).

**RECOMMENDATIONS:**

It is recommended that:

1. The Countryside Works framework is awarded to the 34 listed contractors, as set out in the part 2 report.
2. The authority to approve works via the framework, as detailed in the part 2 report, is delegated to Local Highway Services Group Manager and Countryside Group Manager.
3. Approval is given for the County Council to continue delegating related services, through formal agency agreements to District and Parish Councils to the Assistant Director for Highways, in consultation with the Cabinet Member for Highways, Transport and Flooding.

## **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 to provide best value for money. The tender process was constructed based directly on findings from a comprehensive Category strategy, a supplier engagement day and working group meetings.

Past Agency Agreements with District and Parish Councils have successfully enabled grass cutting, trees and weeds to be locally managed. New agency agreements will permit joined up working with local influence.

## **DETAILS:**

### **Business Case**

1. Surrey County Council (SCC) is responsible for carrying out all green works (Grass Cutting, Rights of Way (RoW) Clearance and Maintenance, Tree Surgery Arboriculture Works, Weed Control and Highway Vegetation Clearance) to be carried out in order to maintain local highways. These works are a necessity for the safety of residents and Surrey visitors.
2. The County currently has a framework set up specifically for these works. The existing Countryside Works framework expires on the 31 March 2016.
3. Agency Agreements between the County Council and District Councils expire on the 31 March 2016. The County needs to ensure there are agreements in place if it is to continue delivering this work through partner District or Parish organisations.
4. The current Arboriculture contract is set up between SCC and one approved contractor. This contract started in April 2011 and runs through to April 2017. This current contract has struggled to perform and has resulted in a back log of work within the county. Following extensive market research and engagement it has become clear that the market lacks a single provider that can carry out a contract of the current size. The proposed framework will address this.
5. Each of the different works has different requirements and accreditations needed by the contractor. This has allowed for the following areas to be determined as lots within the new proposed framework:

Lot 1 – Countryside – Minor Tree Surgery, Vegetation Clearance, Canal Services, RoW Bridges

Lot 2 – Highways – Vegetation Clearance, Ditching

Lot 3 – Arboriculture – All forms of Tree Surgery across the County

Lot 4 – Weed Control – Hard surface and Injurious Weed sprays across the county

Lot 5 – Grass Cutting – Urban & Rural cuts across the county

## Procurement Strategy and Options

6. An Open EU tender process, compliant with the Public Contracts Regulations 2015 and the Council's Procurement Standing Orders, has been carried out using the Council e-Procurement system following the receipt of authority from Procurement Review Group (PRG) on 18 August 2015.
7. Several procurement options were discussed and considered when completing the Strategic Procurement Plan (SPP) prior to commencing the procurement activity. These were highlighted and evaluated throughout the Category Strategy. These included the following options:
  - a) Employing an external managed service provider (MSP) to manage all the services required under a single contract
  - b) Tender for separate contracts for each of the lots listed using EU tender processes
  - c) Create a framework suitable to cover all environmental services.
8. After a full and detailed options analysis, the tender process described in 7(c) was chosen. This option was deemed most appropriate and selected because:
  - a. The option proposed best access to local Surrey contractors and Small & Medium sized enterprises (SMEs)
  - b. Allowed flexibility to move between contractors if there were capacity or performance issues
  - c. Included more services and possible spend within the framework and allowed for the opportunity to further encourage competition between contractors and unlocking greater discounts and cost efficiencies
  - d. Option A was not selected as any MSP arrangement would result in a management fee (of upto 20%) to simply administer the supply chain which could be done more efficiently internally. It would also mean SCC would not have the direct relationships with the local providers that the proposed solution offers.

Option B was not selected as it would cause a greater burden for bidders to respond to multiple procurements and it would not address the need for a flexible, diverse supply base that is required by the service teams to respond to changes in demand or switch suppliers if capacity or performance issues were to arise.
9. Representatives from key Service areas were involved throughout the evaluation process to ensure that the preferred solution was fit for purpose.
10. These tenders were then evaluated against the following criteria and weightings, the results and approved suppliers are listed in the Part 2 report. The evaluation was based on 60% price and 40% quality.
11. The quality evaluation was scored on seven main categories; Technical Compliance, Permitting, Customer Service, Health & Safety, Sustainability,

Social Value and Risk Assessment. These areas had previously been identified as crucial to service delivery success.

12. The works will be called off using the approved Schedule of Rates or via a mini competition.
13. The framework will be managed within the service utilising Key Performance Indicators (KPIs) as a performance monitoring mechanism.

### **Key Implications**

14. By awarding a framework to the suppliers as recommended, the Council will be meeting its obligations to ensure environmental works are carried out to the specified requirements and ensuring best value for money for these services.
15. By operating a framework 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, capacity to carry out the work or lack of specific skills.
16. By allowing for a four year framework there is clear communication to the market place that the intention of the Council is to operate all the Highways & Countryside contracts in a strategic manner and to align expiry dates of contracts whilst providing a clear forward plan of work delivery.
17. The framework will aim to utilise the top three suppliers in any one year when calling off the Schedule of Rates or will go out to mini competition to a number of contractors off the approved list for more specific schemes. 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 mini competition.
18. The framework will utilise local providers and SMEs in the supply of environmental services to the County.
19. The management responsibility for the contract lies with the dedicated Contract Manager within Highways and will be reviewed quarterly by a panel comprising the Contract Manager, a member of procurement and a member of the Countryside team.
20. The rates are fixed for the first two years, every year following will have RPIX implemented; no changes can be made to those rates without prior agreement from the Contract Manager.

### **Competitive Tendering Process**

21. Following a comprehensive Category Strategy it identified a large number of suppliers capable of undertaking the required works.
22. A supplier engagement day was held prior to the tender being published where current suppliers and those listed within the SE Services portal were invited to attend. There was a positive response with 35 contractors attending.

23. The initial stages of the tender showed 119 contractors expressed an interest. A total of 34 responses were received from the bidders, as set out in the Part 2 report.
24. The tender was evaluated on the following split of price and quality based criteria:

Quality = Total of 40%

Price = Total of 60% (based on prices received through Schedule of Rates)

The Quality criteria evaluated were broken down into the following:

Lot	Criteria	Weighting
Lot 1	Risk Assessments	30%
	Service Delivery	10%
Lot 2	Health & Safety	10%
	Service Delivery	8%
	Risk Assessments	22%
Lot 3	Service Delivery	17%
	Health & Safety	14%
	Risk Assessments	6%
	Insurances	3%
Lot 4	Service Delivery	10%
	Risk Assessments	20%
	Social Value	10%
Lot 5	Service Delivery	20%
	Traffic Management	10%
	Social Value	5%
	Health & Safety	5%

25. The tender evaluation showed the following number of contractors within each lot:

Lot 1 Countryside – 25 approved contractors (Lot 1 requires a large list of suppliers due to the varying types of works needed by the Countryside Service)

Lot 2 Highways – 7 approved contractors

Lot 3 Arboriculture – 9 approved contractors

Lot 4 Weed Control – 7 approved contractors

Lot 5 Grass Cutting – 6 approved contractors

Out of the above contractors, 71% of these are Surrey based businesses.

### **Agency Agreements with District and Borough Councils**

26. The County Council operates Agency Agreements for grass cutting with 9 Districts and 1 Parish Council, weed control with 10 District Councils and Arboriculture Services with 2 District Councils. These agreements will expire on the 31 March 2016.
27. Some Districts have operated Agency Agreements with the County Council for many years, with others joining when it has suited both organisations. They have proved effective in delivering services and are an excellent example of joined up working.
28. The contract subject to this report will provide a mechanism for the County Council to undertake these works direct if agreements cannot be reached with all Districts. It will be up to any agent to determine which suppliers they choose to deliver the works, however they have the option to use the proposed Countryside Framework. The County Council will not take on the work unless all D&Bs return the service, but this will be reviewed in individual cases by default.
29. Authorisation is sought to have complementary Agency Agreements that extend up to the term of this contract (March 2020). The rates payable to the agent will be proportional to the market cost, plus relevant on-costs (such as those the County Council would incur should we manage the works directly). Each agreement will suit local circumstances and it is recommended that the Assistant Director for Highways, in consultation with the Cabinet Member for Highways, Transport and Flooding has delegated authority to approve these agreements.

### **CONSULTATION:**

30. Key stakeholders within Surrey County Council have been consulted at all stages of the procurement process including:
  - Highways teams
  - Countryside teams
  - Procurement
  - Legal Services
  - Finance

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

31. Risks were appropriately identified in Table 1 have mitigation actions in place.
32. The terms and conditions include provisions to allow the Council to terminate the contract should priorities change.
33. All suppliers successfully completed satisfactory financial checks as part of the framework competition.

Table 1 – Risks and mitigating actions

Category	Risk Description	Mitigation Activity
Financial	Varying budgets prevent accurate forecasting of annual framework agreement spend in advance.	As this is a framework there is no guarantee of work and the Service are able to award works as and when budgets allow. All contractors are aware of this. The framework allows for flexibility throughout the life of the contract.
Supply	Supply disruption during changeover of suppliers for Lot 3	There is a year to wait until the Arboriculture services are scheduled to start (2017) this allows for enough hand over time between the current and the new contractor.
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 40% quality element towards overall contract(s) award, including clarification meetings if any officer concerns remain post tender process.
Supply	Incumbent supplier will cease to provide any workers (Lot 3)	The current Arboriculture contract expires 1 April 2017, and the supplier is obliged to provide the services up until this point. The contract manager will work closely with the incumbent to ensure that service standards do not fall below acceptable levels and the KPIs are still being met. An exit strategy will be put in place to ensure the above is achieved. A response plan with the new contractors will be agreed with the help from the Service to ensure transfer from one contractor to another is completed.

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

34. Full details of the contract value and financial implications are set out in the Part 2 report.
35. The procurement activity is expected to deliver substantial savings compared to the previous contract costs. When applied to the model jobs for each lot, the new contract rates represent an annual saving of £0.847m compared to the existing contract rates. There is potential within this framework agreement that additional savings will be made year on year following spot price tenders. These will be captured through contract management.
36. Despite more robust reporting requirements and service levels in the new contract, the recommended bids achieve a decrease in costs.
37. Benchmarking information will be shared with East Sussex County Council.

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

38. The proposed framework contract is expected to deliver savings in comparison to current costs, which are set out in Part 2 to this report. The framework will

also provide flexibility to accommodate changes in the level volume of work required.

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

- 48 Legal Services are satisfied that the procurement was in accordance with the legal requirements of EU law, the Public Contracts Regulations 2015 and the Council's Procurement Standing Orders. The risk of a legal challenge is considered to be low because the procurement was done in accordance with the law.

#### **Equalities and Diversity**

- 49 The need for an Equality Impact Assessment (EIA) was considered, however, the conclusion was reached that as there were no implications for any public sector equalities duties due to the nature of the services being procured, an EIA was not required.

#### **WHAT HAPPENS NEXT:**

- 50 The timetable for implementation is as follows:

Action	Date
Cabinet decision to award	2 February 2016
Cabinet call in period	4 – 10 February 2016
'Alcatel' 10 day standstill period	12 – 21 February 2016
Contract Commencement Date	1 April 2016

- 51 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.

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#### **Consulted:**

As detailed in paragraph 30

#### **Annexes:**

Part 2 report with financial details attached

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