

SURREY COUNTY COUNCIL

CABINET

DATE: 31 OCTOBER 2017

REPORT OF: MR COLIN KEMP - CABINET MEMBER FOR HIGHWAYS

**LEAD OFFICER: ROSS DUGUID – ACTING ASSISTANT DIRECTOR
PROCUREMENT**



**SUBJECT: APPROVAL TO AWARD A FRAMEWORK AGREEMENT FOR
PROFESSIONAL HIGHWAY SERVICES**

SUMMARY OF ISSUE:

Surrey County Council ('SCC') has a statutory duty under the Highways Act 1980 to ensure that highways for which it is responsible remain safe for public use.

The Highway Service is responsible for the delivery of an ambitious multimillion Works Programme over the next 3 years. In order to deliver the Programme within required time scales, the Service needs access to specialist services and expertise to supplement the in-house capacity as and when required.

The current Professional Highways Services Framework has recently expired, therefore, the decision was made that a new arrangement needed to be put in place to ensure continuous successful delivery of the Programme.

Following an open tender exercise, Procurement and Highways Services seek Cabinet approval to appoint Atkins Ltd to a Professional Highway Services Framework Agreement.

The report provides details of the procurement process, including the results of the tender evaluation of the only bid received. In conjunction with the confidential Part 2 report, it demonstrates why the recommended contract award delivers best value for money.

Due to the commercial sensitivity involved in the contract award process, the breakdown of the commercial offer received has been circulated as a Part 2 report.

RECOMMENDATIONS:

It is recommended that:

1. the background information set out in this report be noted; and
2. following consideration of the results of the procurement process in Part 2 of the meeting, the award of the Framework Agreement be approved.

REASON FOR RECOMMENDATIONS:

Surrey County Council's Highway Service is responsible for the delivery of a Highway Works Programme which is anticipated to be £120,000,000 over the next 3 years and for the delivery of works which are funded from revenue budget estimated to be at £44,000,000 per annum.

In order to deliver these works the Highways Service requires additional capacity to support the in-house teams. This capacity was previously provided by Professional Highways Services Framework which has now expired.

A full tender process, in compliance with the requirement of Public Contract Regulations 2015 and Procurement Standing Orders, has been completed. This report recommends that a framework agreement with a single strategic multi-disciplinary professional service provider is awarded to Atkins Ltd. The recommendation provides best value for money for the Council, as detailed in paragraph 25 of this report.

The local residents will benefit from a number of professional development and training opportunities which will result from this Framework Agreement in accordance with the Service Provider's commitments. These commitments have been estimated to be worth £812,968 of Social Value benefits as measured using the Social Value Charter approach.

The award of this Framework will enable Surrey County Council to ensure that highways for which it is responsible remain safe for public use.

This report summarises the evaluation of the tender received and seeks Cabinet approval to appoint the recommended provider.

DETAILS:

Business Case

1. SCC has a statutory duty under the Highways Act 1980 to ensure that highways for which it is responsible remain safe for public use.
2. The Highway Service is responsible for the delivery of a Highway Works Programme which is anticipated to be £120,000,000 over the next 3 years and for works funded from revenue budget at the total of £44,000,000 per annum.
3. In order to deliver these works within required timescales, the Service needs to supplement their in-house capacity and expertise. In the past few years this was accessed under a Framework Agreement which expired on 31 January 2017.
4. There is a continuous requirement for the Highways Service to bring in additional specialist resources when required.

Background and options considered

5. In 2012 a framework agreement with a single professional highways services contractor Atkins Ltd was let to enable the Highways Service access to additional capacity to undertake design and associated services for the delivery of both capital schemes as well as other revenue funded works on top of in-house resources. This framework agreement expired on 31 January 2017. Since then Atkins Ltd has been delivering services commissioned before the framework end date.
6. In order to support the delivery of the Programme over the next three years, a new arrangement had to be established.
7. A number of options have been reviewed in preparation of the Framework expiry. Several service delivery models and routes to market were considered when completing the Strategic Procurement Plan (SPP) prior to commencing the procurement activity. These included:
 - a. using other existing framework agreements,
 - b. recruiting permanent or agency staff,
 - c. doing nothing, or
 - d. developing and establishing a new bespoke framework agreement.
8. Having assessed the existing third party framework agreements it has been decided that none would meet Highways Service's needs in full. The review of the revised requirements in the new Service Specification led to the decision to go out to tender to establish a new Framework Agreement with a single strategic multi-disciplinary professional service provider to provide additional capacity and expertise to the Highways Service.
9. The framework agreement will be awarded initially for a period of 2 years with optional extension of up to 2 additional years subject to satisfactory performance. The expiry date in 4 years will be aligned with the end of the current Main Highways Maintenance Term Contract which ends in April 2021. This will therefore unlock opportunity for consolidating the scope of services in the future should this be beneficial to the SCC. The new framework will be accessible to all user groups within SCC Environment & Infrastructure Directorate. The framework will also be accessible to other Local Authorities in the South East.
10. Performance will be monitored through a series of Key Performance Indicators groups including quality of operational delivery, sustainability, customer care, safety and Social Value.
11. The management responsibility for the contract lies with the Highways Service and will be managed in line with the contract documentation.

Competitive Tendering Process

12. Highways and Procurement Services have carried out an open tender procedure in accordance with the Public Contracts Regulations 2015 and Procurement Standing Orders, following the receipt of authority from Sourcing

Governance Meeting (SGM) on 7 December 2016, in order to select the most economically advantageous offer. The open procedure means that all interested potential providers were able to submit a tender.

13. The tender commenced on 31 March 2017 with a closing date on 19 May 2017.
14. The tender received was scrutinised to demonstrate robust experience and capacity as well as competitiveness, in delivering the professional highway consultancy services.
15. The Evaluating Panel, which comprised of colleagues from across the Environment & Infrastructure and Procurement Service, have completed assessing of the tender received. The Panel recommends that Cabinet approves the appointment of Atkins Ltd, who was the only tenderer, to provide strategic multi-disciplinary professional services. The recommendation provides best value for money for the Council, as detailed in paragraph 25 of this report. The appointment of Atkins Ltd will ensure that Environment & Infrastructure Directorate has access to the additional capacity and expertise to support delivery of its projects and programmes of work which are required imminently.

CONSULTATION:

16. No formal consultation was required. However, various members of Environment and Infrastructure Directorate and Procurement Service were involved in the procurement of the framework, feeding in their expert knowledge around the design of the specification, evaluating tenders and agreeing contract award. Legal Services were also consulted to ensure that what was being proposed was legally compliant. Financial Services were consulted to determine minimum acceptable level of tenderers' financial stability.

RISK MANAGEMENT AND IMPLICATIONS:

17. This new Framework Agreement is not a commitment by SCC to purchase any services. Commitment to purchase will only be made by SCC when it issues a legally binding call off contract under the terms of the framework agreement.
18. SCC does not guarantee the value or volume of instructions it may place with the Service Provider under this framework.
19. An Access Agreement will be in place to protect the SCC from any issues that may occur as a consequence of a dispute arising between any of the other local authorities accessing the Framework and the Framework Service Provider.
20. Should the Service requirements change, the new Framework can be terminated by SCC giving 3 months' notice.
21. The tenderer has successfully completed financial checks.

22. The Service Provider may be requested to provide a parent company guarantee or performance bond against failure for individual call-off contracts, on case by case basis.
23. There are no TUPE implications in relation to the award of this Framework Agreement.

Financial and Value for Money Implications

24. Full details of the contract value and financial implications are set out in the Part 2 report.
25. Following a benchmarking exercise it is estimated that the resulting framework agreement will potentially result in average annual savings of £22,455 when compared with the rates for the preceding year. This potential annual saving will depend on the volume of work being called off in the future, and has been estimated based on the projected spend of £1,200,000 per year.
26. The rates submitted by the successful Tenderer are fixed for two years. Should the Framework be extended the Service Provider's rates will be reviewed in accordance with the framework formula which links the uplift with the Retail Price Index.

Section 151 Officer Commentary

27. The Section 151 Officer can confirm that the costs of the proposed framework agreement for professional highway services are within the budget envelope for these services included within the Medium Term Financial Plan.
28. The County Council is facing a very serious financial situation, whereby there are still substantial actions to be identified and delivered to achieve a balanced budget in the current year and a sustainable budget plan for future years. This framework agreement will support the council to deliver highway services and improvements to residents. Notwithstanding this, it is important to recognise that agreeing to this recommendation will reduce the council's options to balance its budget.

Legal Implications – Monitoring Officer

29. Following approval for route to market at the Sourcing Governance Meeting, a full competitive tendering process has been undertaken by the Council using the open procedure in accordance with the Public Contracts Regulations 2015 and the Council's Procurement Standing Orders.
30. There are no monitoring issues arising from this report and Legal Services have been involved in providing support as required.

Equalities and Diversity

31. The Service Provider demonstrated that they had equal opportunities and diversity policy in place, and that this policy adapts and observes the statutory

requirements under the Race Relations Act 2000, the Disability Act 1995 (amended 2005) and the Gender Equality Act 2006 at the early tender Stage.

32. The Service Provider will contribute to developing local economy by delivering commitments in accordance with the Social Value Charter. From the services delivered by the Service Provider and its supply chain there will be £812,968 worth of Social Value as measured using the Charter across the 4 year life span of the Framework. The local residents will benefit from a number of professional development opportunities and training opportunities which will result from this Framework.

WHAT HAPPENS NEXT:

33. The timetable for implementation is as follows:

Action	Date
Cabinet decision to award (including 'call in' period)	31 October 2017
Contract Award Date	8 November 2017
Contract Signature	21 November 2017
Contract Commencement Date	1 December 2017

34. The Council has an obligation to allow unsuccessful tenderers the opportunity to challenge the proposed contract award. This period is referred to as the 'Alcatel' standstill period. However, as there was only one tender received, the standstill period is not required to be observed in this case.

Contact Officer:

Lucy Monie Head of Highways & Transport ex. 419896
Artur Krzyzanski Strategic Procurement Manager ex. 418080.

Consulted:

Environment and Infrastructure Directorate, Procurement, Finance and Legal Services

Annexes:

Annex 1 Part 2 Confidential Tender Report.

Sources/background papers:

None
