

<b>Item No.</b> 18.	<b>Classification:</b> Open	<b>Date:</b> 11 December 2012	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Gateway 2 - Contract Award Approval – Integrated Highways Maintenance, Project Delivery and Professional Services Contract	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Barrie Hargrove, Transport, Environment and Recycling	

### **FOREWORD – COUNCILLOR BARRIE HARGROVE, CABINET MEMBER FOR TRANSPORT, ENVIRONMENT AND RECYCLING**

This report recommends awarding the Highways and Professional Services Contract to Conway Aecom Ltd. This contract's specification will deliver value for money in a time of unprecedented government cuts and support a fairer future for the residents, businesses and users of Southwark. The winning bids represent the strongest submissions in terms of quality and price and the supplier will provide more customer information than ever.

This contract has a clear requirement that any person working on it will be paid no less than the London Living Wage and Conway Aecom Ltd have made a clear commitment to engage and use small and medium sized enterprises based in Southwark wherever possible. The contract also makes provision for offering training opportunities for Southwark residents.

The Conway Aecom Ltd offer provides strong technical knowledge, operational capability and capacity and an approach which will provide the expected high service delivery standards.

### **RECOMMENDATION(S)**

1. That Cabinet approve the award of the Integrated Highways Maintenance, Project Delivery and Professional Services contract to Conway Aecom Ltd
  - Lot A – Highways Maintenance
  - Lot B – Highways Projects (Works)
  - Lot C – Professional Services

for a period of six years starting 1 April 2013 with a provision for a further extension of two years.
2. That Cabinet note the valuable contribution made by TfL and London Councils to the Council's procurement process.

3. That Cabinet instructs Officers to continue working closely with TfL and the London Technical Advisory Group on pan London issues in order to continue to demonstrate best value in delivering Highways and Professional Services.

## **BACKGROUND INFORMATION**

4. The council currently delivers services for professional support, maintenance, improvement, design and construction of highways through two contracts, namely; the integrated highway maintenance contract with FM Conway Ltd as the term contractor and Transport Planning and Streetscene Services contract with Mouchel Ltd as the service provider. These arrangements were all extended to 31 March 2013 to ensure continuity of service while this procurement process was completed.
5. It is necessary that Southwark Council as a Highway Authority meets the statutory requirement that the highway network is 'kept safe' – Highways Act 1980 Section 41. This in practice places a responsibility on the local authority to maintain and improve the highway to the benefit of all users at public expense. The traditional mechanism to achieve this is through the appointment of term contractors.
6. The proposed contract and contract specifications will enable the council to deliver management and maintenance of the public highway, design and deliver highway improvement projects and administer the 'peaks and troughs' of management and supervisory work load involved in project delivery and professional services.

## **London Highways Alliance Contract (LoHAC)**

7. In July 2009 Transport for London (TfL) on behalf of the London Technical Advisory Group (LoTAG), Capital Ambition and the Office of Government Commerce (OGC) commissioned a project to consider the benefits of Pan London (TfL, London Boroughs and the City of London) collaborative procurement of highway term maintenance and improvement works.
8. In December 2010 TfL decided not to extend its Highways Works Maintenance contracts past April 2013 and has led on the development to transform London's highways management of which LoHAC is the key work stream.
9. Preparations for LoHAC have included current pan London contract and market analysis, preparation of a common specification and contract design. All London Boroughs have been encouraged to contribute to this process and to share the outputs.
10. Southwark have with the permission of TfL and Capital Ambitions closely mapped the available LoHAC specification and documentation ensuring commonality wherever possible to reduce duplication of efforts.
11. In November 2012 the Transport for London board accepted recommendations that 4 framework agreements for use by TfL and 4 call-off contracts for use by London Boroughs (both sets geographically based North West, North East, Central and South) for the delivery of highways maintenance and related services be awarded.

12. The report outlines the council's evaluation process against the LoHAC successful tenderer.

### **Procurement Board**

13. The process for the preparation of the contract strategy and procurement has been overseen by a Highways and Professional Services procurement board. The board was chaired by the Head of Public Realm and was made up of legal, procurement and technical officers.

### **Gateway 1**

14. The Gateway 1 report for this procurement strategy was approved by Cabinet in February 2012. Within that report the timetable indicated a proposed contract commencement date of 1 April 2013. The tender process is set out below.
15. The procurement strategy and contract documentation allowed for suppliers to bid and provide services to one, two or all three 'Lots' of the contract package. The elements are;
  - **Lot A** – Highways maintenance including asset inspections, gulley cleaning programmes and winter service provision.
  - **Lot B** – Highways Project works delivery including delivery of highways safety schemes, footway and carriageway resurfacing, S106 highway developments and TfL's local improvement works.
  - **Lot C** – Professional Services including provision of co-located staff to deliver highway and engineering services, delivery of remote project work or short term secondments to accommodate peaks in workload and/or delivery of specialist skills not available in-house
16. The Gateway 1 report strategy approved by Cabinet also included the council's continued participation in the LoHAC procurement process in addition to its own procurement process. This allowed for a comparison of financial rates, terms and conditions with Southwark's specification and successful supplier against LoHAC's.
17. The Gateway 1 strategy allowed for service delivery to the council from one supplier or LoHAC for all three 'Lots', suppliers or LoHAC for one lot each or the combination of 'lots' and suppliers. Each 'lot' will be let as a whole and the council will not cherry pick best elements.

### **Procurement project plan**

18. The future timetable to conclude the procurement is outlined below.

<b>Activity</b>	<b>Completed by/Complete by:</b>
Approval of Gateway 1: Procurement Strategy Report	07/02/2012
Invitation to tender	10/08/2012
Forward Plan for Gateway 2 decision	03/09/2012
Closing date for return of tenders	25/09/2012
Completion of evaluation of tenders	24/10/2012
DCRB/CCRB/CMT Review Gateway 2:	08/11/2012
Notification of forthcoming decision – despatch of Cabinet agenda papers	29/11/2012
Approval of Gateway 2: Contract Award Report	11/12/2012
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	21/12/2012
Alcatel Standstill Period (if applicable)	04/01/2013
Contract award	05/01/2013
Add to Contract Register	07/01/2013
Publication of award notice in Official Journal of European (OJEU)	Jan 2013
Contract start	01/04/2013
TUPE Consultation period – start	05/01/2013
TUPE Consultation period – end	29/03/2013
Contract completion date	31/03/2019
Contract completion date – if extension exercised	31/03/2021

## **KEY ISSUES FOR CONSIDERATION**

### **Contract period**

19. The contract period for all three Lots is six years with an option of a further two year extension. This period allows suppliers long enough to recoup / amortize capital investment with sufficient payback period across the contract term and also aid the council in receiving optimum rates.
20. The possible extension period will also allow the council to continue to receive those beneficial rates subject to supplier performance.

### **Contract form**

21. The form of contract for Lots A and B will be New Engineering Contract (NEC) 3 - Term Service, Lot C will be NEC 3 - Professional Services. The Institution of Civil Engineers endorses NEC3 which is a family of contracts that facilitates the implementation of sound project management principles and practices as well as

defining legal relationships. These are widely recognised as industry best practice for these areas of service delivery.

22. The use of these contract forms will be a departure from the existing forms and officers have already developed a training programme on the new contract forms to ensure delivery of the anticipated benefits.

### **Policy implications**

23. This procurement process supports the corporate plan and will help to achieve Fairer Future promises. It will directly support providing improved value for money through the provision of highly competitive market tested rates. Improving our customer services will take place through developing and delivering superior customer information and improved customer access to services. The procurement of these contracts will also encourage healthy lifestyles by providing a public realm which residents and users of the borough can be proud of and active in.
24. The contracted services will indirectly support Fairer Future promises in the ongoing maintenance around the borough's public spaces including Canada Water Library and any future Camberwell Library. The promised benefits and opportunities of regeneration will also be supported by adoption and maintenance to a high standard of any highway or public realm space.
25. A review of Highways Maintenance by the Environment, Transport, Communities & Citizenship Scrutiny Sub-committee produced a report with a series of recommendations on the provision of public information, contract monitoring and key performance indicators. All recommendations directly related to the contract have been resolved through amendment of existing or inclusion of additional specification clauses. A series of work streams have been developed by officers to deliver those indirectly associated to the contract.
26. Additionally the contracted services will be delivered aligned to corporate financial priorities and high technical standards in the installation and ongoing maintenance of public realm assets.

### **Tender process**

27. Due to the value of the contract being over the EU Services threshold of £173,934 the contract is subject to EU Procurement Regulations and an EU restricted procedure compliant process was followed. A Contract Notice ref: 000058112 advertising the contract was dispatched to the Official Journal of the European Union on 13 March 2012 in accordance with the EU Directive 92/50/EEC (The Award of Public Services Contract).
28. Following this contract advertising three evaluations were completed to inform the final award recommendation.

These were:

- Evaluation of the returned pre qualification questionnaires
- Evaluation of returned tenders (financial and quality)
- Evaluation of comparison between the outcomes for the Southwark process and that of the declared LoHAC award

29. Those invited to tender, were invited to a bidders day held 17 August 2012 at Canada Water Library. This was to ensure that potential bidders had a clear understanding of the council's requirements, the procurement process and to give an opportunity for the bidders to ask questions. Presentations were given by the Head of Public Realm, Legal and Technical officers.

### **Pre Qualification Questionnaires (PQQ)**

30. Following the publishing of the OJEU notice, advertising in the trade magazine Local Transport Today and local newspaper the South London Press PQQs were requested by 39 companies.
31. At the advertised closing date for receipt of completed PQQs, 20<sup>th</sup> April 2012, 13 companies had returned completed questionnaires. It should be noted that prospective suppliers were asked to submit PQQs for each intended Lot bid.

<b>LOT</b>	<b>Submitted PQQ's</b>
<b>A – Highways Maintenance</b>	5
<b>B – Project Delivery (Works)</b>	8
<b>C – Professional Services</b>	9

32. Following receipt of completed PQQs assessment of submissions was carried out under the following headings:
- General information
  - Financial information
  - Equal opportunities
  - Health and safety
  - Corporate information
  - Technical information inc. references
33. Submissions were initially reviewed for compliance and eligibility by Exor Services Limited (risk and compliance analysts) who provided analysis of each questionnaire including finance and health and safety. The remaining elements of the submitted PQQs were evaluated by suitably qualified officers.
34. Details of returned PQQs and summary of Invitations to Tender (ITT) are set out in Appendix 1.

### **Evaluation of returned tenders**

35. Evaluation was completed in accordance with the methodology set out in the ITT documents. Evaluation was based on a 70% / 30% split of price and quality respectively.
36. The price component was based on reference to three financial models reflecting the anticipated profiled spread of work informed by experience of the current contracts. The quality component was assessed in two stages; as presented in quality plan submissions and secondly on the basis of clarification interviews held 18 October 2012. This methodology information was given to bidders as part of the ITT documentation and was agreed with legal and corporate procurement officers ahead of the ITT and tender period.

37. Tender returns were checked initially for completeness and compliance with the instructions and requirements of this procurement process and a 'health check' review of all submissions was also completed by a legal officer.
38. The evaluation team included subject matter experts, technical personnel, Health & Safety Advisor and Business Managers. Clarification interviews were chaired by the Strategic Director for Environment and Leisure.
39. The following table sets out bidders who were invited to tender, summarises those which completed a return and highlights those which withdrew from the process -

COMPANY	Lot A		Lot B		Lot C		Withdrew*
	Invited	Rec'd	Invited	Rec'd	Invited	Rec'd	
A	Y	Y	Y	Y	Y	Y	
B	Y	Y	Y	Y	Y	Y	
C	Y	Y	Y	Y			
D	Y	Y	Y	Y			
E			Y	N			30/08/12
F			Y	N			15/08/12
G			Y	N			16/08/12
H					Y	N	31/08/12
I					Y	N	21/09/12
J					Y	Y	
K					Y	N	14/09/12
L					Y	N	28/08/12
M					Y	Y	

### Quality

40. The quality component scoring is based on the response to supplied questions with any supporting appendices plus the supply of required additional information. This forms the Bidder's Quality Plan.
41. To facilitate the evaluation of submitted quality plans by each bidder a pre-determined scoring criteria was used. The scoring range was either 0–10 or 0-5 for each question based on the importance of the response to service delivery. Minimum thresholds for any individual question response was 4 out of 10 or 2 out of 5. An overall quality threshold was set at 50%.

42. Following individual evaluation a deliberation meeting was held at which a consensus score for each quality submission was agreed, and subjects requiring clarification at the clarification meetings were logged.
43. Following clarification meetings, a further deliberation meeting was held at which adjustments to the consensus scores were made given the evidence produced via the clarification process.
44. Full details are contained in the closed report.

**Financial**

45. The evaluation of price was based on models reflecting the work type in one or all of the service elements of each individual contract Lot.
46. The tendered rates and lump sums were entered into a pre-determined pricing model together with applicable tendered percentages for response time attendance and / or volume discounts and / or Lot discounts applicable to the identified individual contract Lot.
47. Notional contract values were generated for each tender submission from the schedule of rates and / or lump sum item cost provided by the bidder in their pricing documents.
48. There was a relative scoring system with the cheapest supplier awarded the maximum available (100% or 70.00 marks after weighting). Subsequent bids were scored relative to the cheapest bid.
49. Bidders were given the opportunity to offer discounts on their prices for each Lot submitted, on the basis of their being awarded more than one Lot.
50. Quality evaluations were not repeated with the respective bidder retaining their respective quality score for each respective lot regardless of any Lot discounts offered.
51. For the Lot C financial evaluation, as less detail had been provided before tender, clarification was issued after tender providing more detailed information. This request gave all bidders the opportunity to amend their pricing schedules in light of this. All bidders confirmed that all original pricing submissions remained valid and requested no change.

**Combined Quality and Financial**

52. Following the completion of the quality and financial elements to the tender return evaluation the scores were combined to identify the Lot winner. Below is a summary of combined scores by Lot after application of all discounts.

**Lot A**

Supplier	Quality	Financial	Combined	Position
Conway Aecom	20.55	70.00	90.55	1
Company B	20.10	39.22	59.32	2
Company D	16.95	36.69	53.64	3
Company C	15.30	32.73	48.03	4



**Lot B**

Supplier	Quality	Financial	Combined	Position
Conway Aecom	20.55	70.00	90.55	1
Company D	16.50	59.72	76.22	2
Company C	15.00	57.16	72.16	3
Company B	18.90	42.81	61.71	4

**Lot C**

Supplier	Quality	Financial	Combined	Position
Conway Aecom	17.25	69.79	87.04	1
Company M	15.15	70.00	85.15	2
Company B	21.15	63.43	84.58	3
Company J	20.40	59.28	79.68	4

53. Officers recognised the closeness of the results on Lot C so the evaluation team sought a secondary check on the quality and financial evaluation and scoring from legal and departmental procurement teams which concluded satisfaction with the officers' approach.

**London Highways Alliance Contract (LoHAC) – Evaluation comparison**

54. As per the ITT tender documentation and Gateway 1 report, bidders were made aware that Transport for London ("TfL") is currently conducting a procurement of the London Highways Alliance Contract ("LoHAC"), a framework agreement covering the London area (including the London Borough of Southwark), and a secondary comparison evaluation with LoHAC would take place. This is for the provision of certain highways and professional services, similar to the Highways Maintenance, Project Delivery and Professional Services Contract.
55. The secondary evaluation was undertaken for Lots A and B.
56. As regards Lot C it was the intention to carry out a secondary evaluation with LoHAC however because of the significantly different ways in which Southwark and LoHAC finally required bidders to price the contract and divergence of specifications it has not proved possible. It has been agreed by both parties that a fair and objective evaluation cannot be undertaken. Therefore no secondary Southwark/LoHAC evaluation was undertaken for Lot C.
57. The secondary evaluation found that there would be no overall benefit to the council buying in to the LoHAC framework contracts on either Lot A or Lot B. It is therefore recommended that the council should award its own Highways and Professional Services contracts for all three lots as per the conclusion in the recommendation in paragraph 1 above. It is recommended that all three Lots are awarded to Conway Aecom.

### **Plans for the transition from the old to the new contract**

58. As part of the quality plan submission information was requested of each supplier, which was scored on a pass/fail basis. The winning supplier for each lot provided information which will now form part of the contract and support the transition process. Provided information was;

- Construction phase plan
- Mobilisation plan
- Environmental assessment
- Tender stage risk register

With officers and the supplier working in conjunction, the information provided will be further developed following contract award.

59. To manage the procurement of this contract a procurement board has been operating with the Head of Public Realm, Procurement and Legal Officers. This will cease to operate following completion of a lessons learned log review. Following the completion of the procurement process a Mobilisation Board will be formed to manage the transition period; this will be chaired by the Head of Public Realm.

### **Plans for monitoring and management of the contract**

60. All contract lots will be managed and monitored by the Public Realm Division of the Environment and Leisure Department.

61. A range of new mechanisms and measures have been included in the new contract to encourage good performance and compliance. The contractor's performance will be measured against a new suite of key performance indicators (KPIs). This performance will be reviewed annually, monthly or per task order as there are a range of options available to officers.

62. The new performance mechanism is designed so that good performance is rewarded financially with poor performance punished with an additional requirement to provide written evidence for remedies and improvement plans at the contractor's cost.

63. The performance mechanism also includes a default and critical default tariff and escalation process as an additional contractor performance management tool.

64. A further component of this contract is the Annual Service Review and Improvement Plan which will capture performance over the preceding year and set agreed targets for innovation and service improvement for the coming year. A key pre-set component of the Annual Service Review is to consider customer satisfaction with the service.

65. The contracts specifically determine the governance arrangements which include an executive board, weekly operational meetings and monthly contract and performance monitoring meetings. Escalation options and responsible roles are also pre-defined in the contract specification if required.

66. It was recognised during strategy development that a possible outcome was for all Lots to be delivered by a single supplier. Whilst offering benefits this also represents a risk in possible conflicts of interest and loss of control. In consideration of this, development of control processes has begun which include governance arrangements, ring fencing key roles to Southwark staff only, compliance evaluation testing, audit regimes and appropriate schemes of delegation for design, finance and operational activities.
67. To support contract management and as part of the contract specification a series of standard forms were developed to aid the audit process. The recording of decision making and approval processes will be further developed during the mobilisation period.
68. Planned developments in the council's asset management system – Confirm (inspections, works and infrastructure asset management) will also provide an audit trail of monitoring and management within contracts.

#### **Identified risks for the new contract**

69. The proposed supplier Conway Aecom is a joint venture between FM Conway Ltd and Aecom Ltd. To protect the interests of the council a parent company guarantee has been requested and received from both parent companies. A cost for the provision of a performance bond has also been supplied and the council will exercise this option as further risk mitigation. A risk table is included in the closed report.

#### **Community impact statement**

70. The Highways and Professional Services contract support borough wide service provision. The impact of the service will affect all communities/groups, residents, businesses, visitors and those that pass through the borough.
71. A well maintained infrastructure will make an important contribution to the borough. Direct benefits of delivering a well maintained and improved highway infrastructure are a major contribution to the quality of life and safety of all users.
72. Continued emphasis on quality asset improvements, maintenance and replacement through this contract will especially benefit the most vulnerable members of the community i.e. the elderly, the disabled and young children.
73. During mobilisation the Council will work with the nominated supplier to assist the Council with its aim of meeting the 'Safer Lorries Safer Cycling' pledge in relation to vehicles used on the contract and their HGV movements in and around the borough.

#### **Economic considerations**

74. As part of their quality submission the winning tenderer provided evidence of previously engaging local small and medium sized enterprises with a view to incorporating them into their supply chain. A commitment to repeat this for Lots A & B during this contract period was also made. Additionally a statement of commitment to making full use of the talents, skills and experience of the community and individuals that exist in Southwark is included in submitted quality plans.

75. The operational depot and offices for Lots A and B will be based in the heart of Southwark. Conway Aecom have evidenced plans for future development of their operational presence in Southwark possibly offering further employment opportunities and contribution to the local economy

### **Social considerations**

76. A contract clause ensures that all contractor, sub-contractor, casual and agency staff employed or engaged in providing these services are paid an equivalent hourly wage which is equal to or exceeds the London Living Wage (LLW). It was also confirmed as part of the clarification interviews that all financial submissions include provision to pay the LLW. Non-payment of the LLW by the supplier is identified in the contract as a critical performance default with a requirement for the provision of a rectification plan. The provision of an unsatisfactory rectification plan can lead to the termination of the contract.
77. The winning supplier has committed to providing training opportunities to Southwark residents based on the level of spend by the council. Conway Aecom has welcomed working in partnership with Southwark Works to deliver the commitment.

### **Environmental considerations**

78. A generic pre-tender environmental assessment has been prepared for Lots A and B and their development will form part of the mobilisation period prior to the start of the contract.
79. The contract specifications set out the need for the completion of specific project / works related environmental assessments including impact on fauna, flora, soil and water and installation of required control measures where necessary.
80. The contract specifications demand Euro VI standard engines (when available) on new fleet used in this contract. The minimum standard until such time is Euro V. This aims to introduce stricter limits on pollutant emissions from road vehicles, particularly for emissions of nitrogen particulates and oxides.
81. The entire fleet utilised in service delivery operates on diesel with 5% bio-ethanol, reducing carbon emissions. All cars in the fleet are either diesel or hybrid with minimum emissions to Euro V standard.
82. The use of dust suppression techniques for all construction activities are a contractual requirement. This is achieved by installing dust screening and dampening on all surfaces to prevent dust becoming airborne. Road planers are to be fitted with systems using computer controls to manage suppression whilst minimising water consumption.
83. As part of the commitment to the contract Conway Aecom have set a self imposed target to recycle a minimum of 95% of water / waste from gully cleaning operations and surplus materials or waste arising from construction activities.

### **Market considerations**

84. The parent companies for this successful joint venture are private organisations with national and international operations with national operations alone employing over 500 people.

### **Staffing implications**

85. There are no additional staffing resource implications connected with this contract although with the introduction of a new form of contract (NEC 3) there will be a training need for all staff associated with the contract supervision and administration.
86. There are no TUPE implications for council staff. It is however anticipated that TUPE will apply from the incumbent contractors (FM Conway Ltd and Mouchel Ltd) to the new supplier.

### **Financial implications**

87. The proposed contracts will not commit the council to any minimum level of expenditure during any financial year. These contracts provide no exclusivity to the prospective supplier and the Council retains the option to use other delivery mechanisms including LoHAC if required.
88. The base cost of the contracts (on Lots A and B) will remain in place until April 2014 at which point they will be subject to an inflationary mechanism. The agreed mechanism has a saving built into the calculation to account for the expected efficiencies of the supplier. For Lot C, the contract is based on open-book actual cost plus principles, as such there is no inflation mechanism. However there are KPIs built into the contract to ensure that any inflationary pressure in the contract is maintained at the market average level, additionally the non-exclusive nature of the contract gives the council the right to procure services elsewhere if the incumbent contractor is not felt to be giving value for money.
89. The anticipated annual basic cost for the Lot A will continue to be funded from Asset Management revenue budgets before taking into account any saving proposals for 2013/14. This budget will support the identified core services of inspections, highways and structures maintenance, gulley cleaning and winter services (gritting) and the value of work ordered can be planned to be within budget resources available for the financial year.
90. The anticipated annual expenditure for the Lot B will continue to be funded through capital receipts, Local Implementation Plan funding and ad-hoc project grants / funds. The latest capital programme has a provision for non principal roads for 2013/14 and 2014/15 financial years. This reduces from 2015/16 onwards. The funding through Local Implementation Plan is not expected to significantly reduce in 2013/14.
91. The anticipated annual expenditure for the Lot C will continue to be charged to either capital or revenue, but these costs are mostly recovered through grants or external income.

## **Legal implications**

92. Please see concurrent from Director of Legal Services

## **Consultation**

93. Southwark staff familiar with the workings of the current contracts were consulted on the options available for this procurement process and comments and proposals were included in the development of the contract specification.
94. Further consultation was undertaken with other officers and service areas as appropriate throughout the procurement process.
95. Ongoing discussions and liaison took place with officers representing the LoHAC board to ensure the proposed procurement strategy was not in conflict with the LoHAC strategy and to ensure there was an agreed evaluation methodology for the comparison of Southwark's and LoHAC's prospective supplier rates.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Head of Procurement**

96. This gateway two report seeks the Cabinet's approval of the award of the three Lots comprising the Integrated Highways Maintenance, Project Delivery and Professional Services contract to Conway Aecom Ltd for a maximum period of eight years.
97. A procurement strategy report for the contract was approved by the Cabinet in February 2012.
98. The report details the background to the services packaged within the proposed contract and notes that tenderers were able to bid for one, two or all three lots. A discount mechanism applied should a single supplier win two or more elements of the contract.
99. The report describes how the council's procurement ran alongside a similar timetable to the LoHAC pan-London tender for an integrated highways contract. It was intended that each of the successful bids for the Southwark contract would be compared against that of the winner of the local regional LoHAC contract with the award recommendation being made to the best priced submission(s).
100. An OJEU restricted process was followed with the intention of inviting a minimum of five providers to tender for each of the three Lots.
101. The report confirms the process and the criteria that were used at tender evaluation to select a provider to deliver this contract. The council's standard price: quality ratio of 70%:30% was followed. Details of the contract were requested by 39 organisations and five PQQs were submitted for Lot A, eight for Lot B and nine for Lot C. Ultimately each of the Lots received four tenders. The report details the reasons why organisations invited to tender subsequently withdrew their interest; the main reasons given were around a perceived risk of non-award or no work due to LoHAC, companies inability to meet the tender's requirements and the number of tenderers in the process.

102. The recommended bid for Lot A was significantly lower than that of all other bidders for the Lot. Having reviewed both the price and quality submissions and satisfied themselves that all bidders had the ability to price on the same basis, officers are confident that services are deliverable at the tendered price.
103. In view of the closeness of the scores for the top two tenders for Lot C, officers from legal services and departmental procurement undertook a further internal challenge of the evaluation process. The review concluded that the process followed was robust and the resulting scores substantiated.
104. The report confirms that the procurement process undertaken was largely in line with that described at gateway one stage - it was not possible to carry out a secondary evaluation to compare the Southwark Lot C result with that of LoHAC as the pricing and specification had become too dissimilar to allow a meaningful comparison - and that the process undertaken has been compliant with both CSOs and relevant legislation.
105. The client section will be responsible for monitoring the contract through regular meetings and service reviews. The report describes the KPIs and other targets the contractor will be expected to meet as well as the detailed reporting submissions required of them.
106. The report notes that the proposed transition process from the old to the new contract was detailed as part of the tender submissions and that a contract mobilisation board will be established to manage this period.
107. This matter has been reviewed by the Environment and Leisure Departmental Contract Review Board and the Corporate Contract Review Board and recommended changes have been incorporated into this final report.
108. This concurrent has been provided by the Head of Environment and Leisure Procurement.

#### **Director of Legal Services**

109. This report seeks the Cabinet's approval of the award of the Highways and Professional Services contract to Conway Aecom as set out in paragraph 1 of the report. At this value of contract, the award decision relates to a Strategic Procurement and so is reserved to the Cabinet.
110. As noted in paragraph 27, the nature and value of this Contract are such that it is subject to the full tendering requirements of the EU Procurement Regulations (the Public Contracts Regulations 2006 as amended). The Contract was therefore advertised in the Official Journal of the European Union on 13th March 2012 and the Restricted Procedure set out in those Regulations followed.
111. Tenders have been received and evaluated in accordance with the evaluation mechanism set out in the Tender Documents and the award of a contract to Conway Aecom is recommended on the basis that it submitted the most economically advantageous tender for all three lots. As noted in paragraph 51, more detailed information was provided to bidders in relation to lot C after tenders had been received to enable the council to complete the evaluation of this lot. To ensure transparency of the process all bidders were then given the opportunity to reconsider their pricing schedule in relation to this part of the bid.

112. In addition, this offer compared favourably against the proposed LoHAC alternative on the criteria described in this report.
113. Conway Aecom is described in the Tender as a fully incorporated joint venture and prior to the award of the Contract, Conway Aecom will be required to provide confirmation of their legal status for appointment. The Council will also be obtaining executed versions of the Bond, the Parent Company Guarantees and suitable direct warranties from the two component companies (FM Conway Limited and Aecom Limited) in favour of the Council.
114. CSO 2.3 requires that a contract may only be awarded if the expenditure involved has been approved. Paragraphs 87 to 91 inclusive confirm how this contract is to be funded.

### **Strategic Director of Finance and Corporate Services**

115. The Strategic Director of Finance and Corporate Services notes the recommendations in this report. The financial implications arising from the award of contract are shown in paragraphs 87 – 91. However it is noted that the council has flexibility over the use of these contracts or other delivery mechanisms if these provide better value for money.
116. For Lots A and B there is a base cost of the contracts, which is subject to both inflationary increases and an expectation of efficiencies from the supplier.
117. The anticipated costs are expected to be funded in the following ways:
- a Lot A: asset management revenue budgets
  - b Lot B: through the capital programme, particularly capital receipts, Local Implementation Plan funding and ad-hoc project grants / funds.
  - c Lot C: mainly recovered through grants or external income, and could be capital or revenue in nature.

### **BACKGROUND DOCUMENTS**

<b>Background documents</b>	<b>Held At</b>	<b>Contact</b>
Gateway 1 – Highways and Professional Services cabinet report <a href="http://moderngov.southwarksites.com/documents/s26119/Report%20Gateway%201%20-%20Procurement%20Strategy%20Approval%20Integrated%20Highways%20-%20Maintenance%20Project%20and%20Pr.pdf">http://moderngov.southwarksites.com/documents/s26119/Report%20Gateway%201%20-%20Procurement%20Strategy%20Approval%20Integrated%20Highways%20-%20Maintenance%20Project%20and%20Pr.pdf</a>	160 Tooley Street, London SE1 2QH	Matthew Hill 020 7525 3541



## APPENDICES

No	Title
Appendix 1	PQQ Results Report (see closed agenda)
Appendix 1a	PQQ Scoring (see closed agenda)
Appendix 2	Tender Results Report (see closed agenda)

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Barrie Hargrove, Transport, Environment and Recycling	
<b>Lead Officer</b>	Des Waters – Head Of Public Realm	
<b>Report Author</b>	Mick Lucas – Public Realm Asset Manager	
<b>Version</b>	Final	
<b>Dated</b>	30 November 2012	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Head of Home Ownership and Tenant Management Initiatives	No	No
<b>Contract Review Boards</b>		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
<b>Cabinet Member</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		30 November 2012