

Item No. 15.	Classification: Open	Date: 21 January 2020	Meeting Name: Cabinet
Report title:		Gateway 2 – Contract Award Approval for Southwark Highways Works Contracts	
Ward(s) or groups affected:		Borough wide	
Cabinet Member:		Councillor Richard Livingstone, Environment, Transport and the Climate Emergency	

FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR ENVIRONMENT, TRANSPORT AND THE CLIMATE EMERGENCY

In December 2018, cabinet agreed a new procurement strategy for its highways works contracts. That strategy agreed to bring highway safety inspections and carriageway gully cleaning services in-house, whilst continuing to let out contracts where there were significant barriers to the council providing the services itself.

The work to be contracted out has been separated into two areas of work. Lot A is for maintenance and small scale reactive repair works and Lot B is for planned improvement or renewal works to our highways. Companies were invited to tender for this work in July and submitted bids for these two lots of work in October.

Two companies made submissions for both Lot A and B. This report sets out the scoring for those bids and recommends that Contractor A are awarded both contracts, on the basis of both quality and price.

RECOMMENDATIONS

Note: In line with the Public Contract Regulations all tenderers need to be informed of the award decision at the same time. A formal offer of contract can not be made until the Scrutiny Call-in period and Alcatel standstill period following the Cabinet decision has expired. Therefore, to prevent the possibility of a challenge, the names of all tenderers, the preferred tenderer and prices must remain confidential.

1. That the cabinet approves the award of the Southwark Highways Works Contracts in two lots commencing 1 July 2020 for an initial duration of five years and nine months, with an option for the council to extend for up to two further years.
 - Lot A – Maintenance (for small scale reactive repairs) to Contractor A.
 - Lot B – Projects (for planned renewal / improvement projects) to Contractor A.

BACKGROUND INFORMATION

2. This Gateway 2 Contract Award Approval Report relates to the Gateway 1 Procurement Strategy Approval for Southwark Highways Works Contracts that was approved at cabinet on 11 December 2018.
3. That Gateway 1 and the corresponding Gateway 0 approved the insourcing of:
 - Highway safety inspections, and
 - Carriageway gully cleaning.

It is likely this will involve the transfer of currently out-sourced resources into the council.

4. These works and services are currently being provided by Conway Aecom Ltd, which is a joint venture between FM Conway Ltd and Aecom Ltd, under the Highways and Professional Services (HAPS) Contract. The provision of the services was divided into Lots as detailed below:
 - Lot A – Highways Maintenance
 - Lot B – Project Delivery (Works)
 - Lot C – Professional Services.

As detailed in the Gateway 1 report the Professional Services element of the current contract will be procured under separate cover with an anticipated contract start of 01 January 2021.

5. The HAPS contract commenced on 1 April 2013 for a duration of 6 years taking the contract through to an original expiry date of 31 March 2019. The contract allowed for an option for Southwark Council to extend the contract for any duration of up to two years by informing Conway Aecom in writing with a minimum of three months notice. Following careful consideration, reviews of market conditions and due process Contract Lots A and B were extended until 30 June 2020 with Lot C extended until 31 December 2020.

Summary of the business case/justification for the procurement

6. Under the Highways Act 1980 Southwark Council, as Highway Authority for most of the public roads and pavements within the borough of Southwark, have a responsibility to ensure those public highways are maintained to a safe standard. This will cover everything from a standard “pothole” repair to gritting the roads and pavements deemed necessary during freezing conditions and snowfall. In addition to these statutory duties the council also has a responsibility to endeavour to improve the highway network where feasible. This is carried out by capital funding which can be from Southwark’s own budgets or from external partners such as Transport for London (TfL) or through developers Section 106 / Community Infrastructure Levy (CIL) funds. The contract arrangements will require flexibility to accommodate uncertainty over future budget levels, particularly where these funds are from external sources.
7. Improvements to the highways network will help the council achieve a number of their Fairer Future Commitments. Improvements to the footways and cycleways will encourage residents and visitors to adopt a more sustainable mode of transport than a motor vehicle, to help provide a greener borough and encourage

more active and a healthier life. In particular, this service aims to support theme 3 – a greener borough, theme 5 – a healthier life and theme 8 – a vibrant Southwark. A number of highway improvement schemes are implemented alongside other initiatives to help create a vibrant Southwark.

8. The services in scope can be summarised as follows:

- Emergency or urgent reactive repairs
- Planned maintenance and repairs
- Carriageway gritting / winter service
- Carriageway resurfacing
- Footway renewal
- Project delivery.

9. Although there are many challenges and pressures placed upon it, Southwark Council has a highway network to be proud of. In the 2017 National Highways and Transport Surveys Southwark achieved “Best in Country” in nine categories and “Best Improved” in seven categories. In 2018 Southwark Council went one better and were awarded the National Transport Local Authority of the Year. In 2019 Southwark were ranked second, out of the 111 Highway Authorities who took part, in Highway Maintenance and Condition of Highway. This doesn’t mean Southwark Council are complacent – Southwark Council know they have to continue to improve to provide the best possible highway network for the residents, businesses and visitors to Southwark.

OPTIONS AND CONSIDERATION

10. In early 2018 a project board was developed to consider the most appropriate method of delivering the highways services once the current HAPS contract expires. A number of meetings and discussions were held with Southwark officers, suppliers and other Highway Authorities, which have allowed Southwark to review the success and issues of the current contract and consider different options including possible joint working with neighbouring boroughs.

11. All three lots of the current contract were awarded to the Joint Venture Conway Aecom Ltd as the tender assessment concluded this was the most beneficial option. However, the perceived benefits of having an integrated contract including the maintenance functions, project delivery and professional services delivered under one contract has not materialised. Following appraisal, a decision was taken to recommend separate contracts for works and professional services.

12. A workshop was held with the project board and other strategic heads of service within the Environment Department to consider the various tasks required of the highway service and review the most effective methods to deliver them. This review considered in-house delivery and external provision for the full range of tasks and functions.

13. For the tasks where it was considered that outsourcing was the most appropriate delivery option these were split into the separate works and professional services packages. These were then further split into the most appropriate lots for each contract.

14. For the works contract these were split into two lots. It was considered to be most appropriate to split these lots into task size and required speed of action. The first lot is for Lot A Maintenance for small scale reactive repairs and the second lot is for Lot B Projects for planned renewal / improvement projects. It was felt that some smaller contracting firms may be encouraged to bid for the smaller scale Lot A contract but might not have the management or financial resource for larger scale planned projects. There would be no restrictions on firms bidding for one or the other lot or both lots together.
15. To provide continuity of service it was agreed to extend the current professional services element of the contract for a period of six months longer than the current Highway Maintenance and Project Delivery (Works) elements of the contract. Each of these projects and schemes will have a planning and programming mobilisation period of around three months to request Streetworks permits, issue statutory notifications and request Temporary Traffic Management Orders etc. This would ensure that the new contractor would have a number of projects and schemes that they can commence as soon as the Lot B Projects contract starts.

Benchmarking

16. The council is the highway authority for the majority of public roads within Southwark. This places an obligation on the council to ensure these roads are maintained to a safe standard to allow movement of people and vehicles. Highway improvements are essential to allow regeneration for the ever growing population and improve safety. All authorities in London rely on outsourced provision for at least some of these services. A small number deliver some of these elements in-house. The highways maintenance, highways improvements and highways professional services market is very competitive throughout the UK. This is even more so in London due to the close proximity of 34 different highway authorities (32 London Boroughs, City of London and TfL) and a number of major development sites that require roads, pavements, cycleways, open spaces etc. There are currently at least eight contractors and eight consultants who provide similar services within the London Boroughs. The works provision across the London Boroughs can be summarised as:
 - a. 5 x Mixture of in house and out source delivery
 - b. 1 x Private Finance Initiative (PFI)
 - c. 5 x TfL London Highways Alliance Contract (LoHAC) framework (all services)
 - d. 23 x Completely out sourced the services.
17. The current HAPS contract was tendered at a time when, according to the Office for National Statistics, the UK was slowly recovering from an economic recession and construction output figures were in steady decline. However, the recent construction output figures from the Office for National Statistics indicate little recovery and some sectors, including public, are still in decline.
18. There are a number of contractors capable of delivering highways maintenance and improvements projects for Southwark Council ranging from relatively small family run businesses to multi-national and multi-disciplined conglomerates.

Options for procurement route including procurement approach

Do Nothing

19. This is not an option as the council has a responsibility to ensure the highway network is maintained in a safe condition under the Highways Act 1980. Improvements to the network, and in particular the cycle routes and footways, will also help the council to meet some of their Fairer Future Commitments. The current HAPS contract can only be extended for a maximum of two years and must terminate by 31 March 2021. If no action is taken, Southwark Council will be left with no ability to carry out their statutory duty to ensure the highway is maintained in a safe condition. This would leave the highway slowly degrading, resulting in a potentially hazardous network for the public and possible disruption to those travelling on the highway network. This would leave the council in a vulnerable position in relation to insurance claims and possible litigation.

In-Source

20. The Gateway 0 approval was to in-source the highway safety inspections and carriageway gully cleaning operations. This report highlighted the reasons for outsourcing the remaining works such as the fluctuation of workflows and the required capital investment in plant, machinery and materials.

External Procurement

21. The nature and value of these works meant that the full tendering requirements of the Public Contract Regulations 2015 and the Public Sector Directive 2014/24/EU/ applied.
22. External procurement was required for the remaining works and services that need to be delivered to maintain a highway network that is safe, in good condition and functional for the residents, businesses and visitors of Southwark. Various delivery methods were considered and these are detailed below:

PFI

- a. Normally this type of contract is for those authorities whose networks are in a very poor condition at the start of the contract and needed a dramatic initial investment. Compared to current national road conditions the highways within Southwark are in a relatively good condition. This option would provide an initial boost in improvements into the Southwark highway network. However, the council would be committed to long term investment (normally 25 years) with little return after the first few years. In the October 2018 budget the Chancellor of the Exchequer announced the Government would not enter into any further Private Finance Initiative contracts.

Existing Frameworks

- b. LoHAC was created by TfL to cover the highways maintenance and project delivery service throughout the TfL Road Network. The LoHAC contract expires in March 2021. Discussions have been ongoing between TfL and Southwark Council, particularly through the London Technical Advisers Group, regarding the format of the TfL delivery mechanism to replace these contracts. It appears that the replacement contracts would not be as efficient

as bespoke contracts for Southwark's delivery method, but could be used as a back up if required.

Tender

- c. A competitive tender to select a suitable supplier or suppliers to take over the relevant works on expiry of the current HAPS contract would ensure value for money is being achieved and the latest industry standards and guidance is being followed.
- d. Following a well established decision tool, providing a series of questions to help determine the most appropriate procurement route, considering elements such as the requirements of the market and needs, resulted in a choice of the restricted procedure. This has enabled the council to ensure all bidders have suitable experience and knowledge and have the financial standing for such a contract prior to invitations to tender being issued.
- e. Using the proposed procurement route of a restricted process ensured the works are being undertaken by an experienced and capable contractor. **(preferred option)**.

Shared Service Delivery

- f. Discussions were held with a number of neighbouring Boroughs. A number of these (City of London, Tower Hamlets, Bromley, Lewisham and Croydon) have recently extended their current contracts or awarded new contracts under long term arrangements. Lambeth Council currently use the TfL LoHAC contract and this is due to expire in March 2021. Further discussions were held with both Lewisham and Lambeth regarding the possibility of a service shared between the three boroughs however, the timings of the contract start dates and delivery methods made this option implausible. The possibility of aligning the contract and tender documents across the boroughs was considered in some depth. It was considered by Southwark officers that the benefits of any reduced costs would not outweigh any dis-benefits of additional contractual complexities and contract management.

Voluntary sector/not for profit

- g. There are no known voluntary sector or not for profit organisations that provide the required service.

Contract Packaging

- 23. The works contract will be known as the Southwark Highways Works Contract (SHWC) and be split into two Lots.
 - a. Lot A – Maintenance
 - b. Lot B – Projects
- 24. SHWC Lot A Maintenance will include the routine maintenance, winter service and reactive repairs to the highway. The tasks will include, but not be limited to:
 - a. Urgent reactive maintenance of footways (2 / 24 hour call outs)
 - b. Urgent reactive maintenance of carriageways (2 / 24 hour call outs)
 - c. Urgent reactive maintenance of structures (2 / 24 hour call outs)

- d. Planned maintenance of footways (7 / 28 days)
 - e. Planned maintenance of carriageways (7 / 28 days)
 - f. Planned maintenance of structures (7 / 28 days)
 - g. Planned maintenance of drainage (7 / 28 days)
 - h. Winter stand-by provision (Oct to Apr only)
 - i. Gritting of carriageways (Oct to Apr only)
 - j. Site investigations as instructed (trial holes, topographical surveys etc).
25. The intention was to group all routine maintenance and minor repairs into one lot. The repairs would mainly be reactive following safety inspections by the Southwark Highways Safety Inspectors or through investigations by members of the highways team following notification from third parties such as members of the public. This would produce one lot with a fairly high volume of small repairs and maintenance tasks. There would be a fluctuation of workflow from the reactive repairs. The contractor would not need to carry out too much planning or programming / works co-ordination functions. Generally these repairs could be carried out with standard highways maintenance plant and equipment such as flat bed vans, breakers, hot boxes, whacker plates and hand tools. Large or specialist items of plant and equipment would only be rarely needed and these can easily be hired in by the contractor as needed. These tasks have been grouped together in one lot, which will be known as Lot A Maintenance.
26. SHWC Lot B Projects will include the works delivery of footway replacement, carriageway resurfacing, improvements and safety schemes. The tasks will include, but not be limited to:
- a. Non Principal Road footway replacement
 - b. Non Principal Road carriageway resurfacing
 - c. Principal Road footway replacement
 - d. Principal Road carriageway resurfacing
 - e. Structures works
 - f. Safety Improvement schemes
 - g. Quietways and Cycleways
 - h. Drainage and Sustainable Drainage Systems.
27. The larger scale capital investment works generally require a greater management input into planning, programming, notifying, co-ordinating and supervision. These projects will normally form part of a longer term programme of renewal or improvements. The contractor will be required to have an input into the projects before they arrive on site to carry out the works. This will include liaison with the designers, designing traffic / pedestrian management, co-ordinating works with the network management team, programming the works, pre-works notification and a higher level of site supervision. These works will often require large items of plant and machinery such as road planers, resurfacing machines and excavators. Quite often specialist equipment would be needed, especially for the structures and SUDS / drainage works. Therefore, these tasks have been grouped together in one lot, which will be known as Lot B Projects.

Approved procurement route

Southwark Highways Works Contract

28. As per the Gateway 1 report the Southwark Highways Contract was procured under the EU restricted procedure in two Lots:

- a. Lot A – Maintenance
 - b. Lot B – Projects
29. This works contract has been procured so that the start date immediately follows the expiry of the current HAPS Contract Lots A and B. This is to ensure continuous provision of these essential services. The contract will have an initial duration of five years and nine months with an option for the council to extend for up to two further years.
30. The estimated total value of Lot A over the full five years and nine months initial duration plus two year extension is £15.9m. The estimated total value of Lot B over the full five years and nine months initial duration plus two year extension is £55.4m. The details of the budgets are shown in the table below:

Table 1 – Estimated values of Southwark Highways Works Contracts

Year	£000's					
	Lot A		Lot B			
	Revenue	Structures Capital	LBS Highway Capital	TfL LIP (m'ance) 3 rd party	TfL LIP (schemes) 3 rd party	Dev't 3 rd party
2020/21 *	1,500	75	2,250	560	750	560
2021/22	2,000	100	2,000	750	1,000	750
2022/23	2,000	100	3,400	750	2,000	750
2023/24	2,000	100	3,400	750	2,000	750
2024/25	2,000	-	4,000	750	2,500	750
2025/26	2,000	-	4,000	750	2,500	750
2026/27	2,000	-	4,000	750	3,000	750
2027/28	2,000	-	4,000	750	3,000	750
Total	15,500	375	27,050	5,810	16,750	5,810
	£15,875		£55,420			

* 9 months only

Key / Non Key decisions

31. This is a key decision.

Procurement project plan (Key Decision)

32. Table 2 Timescales

Activity	Completed by/Complete by:
Forward Plan (If Strategic Procurement) Gateway 2	02/10/2019
Briefed relevant cabinet member (over £100k)	25/10/2018
Approval of Gateway 1: Procurement Strategy Report	11/12/2018
Invitation to Tender	30/07/2019

Activity	Completed by/Complete by:
Closing date for return of tenders	18/10/2019
Completion of evaluation of tenders	04/11/2019
CM Review Gateway 2	28/11/2019
DCRB Review Gateway 2	04/12/2019
CCRB Review Gateway 2	12/12/2019
Notification of forthcoming decision – despatch of Cabinet agenda papers	09/01/2020
Cabinet Approval of Gateway 2: Contract Award Report	21/01/2020
End of Scrutiny Call-in period and notification of implementation of Gateway 2 decision	05/02/2020
Alcatel Standstill Period	01/02/2020
Contract award	01/04/2020
Add to Contract Register	06/04/2020
TUPE Consultation period (if applicable)	01/04/2020
Contract start	01/07/2020
Publication of award notice in Official Journal of European (OJEU)	06/04/2020
Publication of award notice on Contracts Finder	06/04/2020
Contract completion date	31/03/2026
Contract completion date – if extension(s) exercised	31/03/2028

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

33. The key objectives identified in the procurement strategy will be delivered by the successful contractor from 1 July 2020 for a period of between 5 years and 9 months and 7 years and 9 months (if extended) through the contract including the following:
- Carry out urgent reactive repairs
 - Carry out planned maintenance repairs
 - Winter service standby and gritting
 - Footway and carriageway replacement
 - Highway improvements
 - Structures schemes
 - Drainage and SuDS projects.
34. The contract is a NEC4 Term Service Contract with minor amendments to suit Southwark Highway requirements with a Price List.

Policy implications

35. Having an effective highways service is an important component of delivering the councils plan and fairer future commitments. In particular theme 3 – a greener borough, theme 5 – a healthier life and theme 8 – a vibrant Southwark will benefit from this service.
36. The highways service provides key support to the council's movement plan.

Tender process

37. A comprehensive suite of Selection Questionnaire (SQ), Invitation To Tender (ITT), contract, scope and pricing documents were compiled.
38. Where necessary specialist companies were procured in line with Southwark Contract Standing Orders to provide guidance and assist with some of the more complex documents including:
 - Sharpe Pritchard for the legal and contract documents
 - Project Centre Limited for the technical specification (in conjunction with Lewisham Council and Lambeth Council)
 - WSP for the pricing documents.
39. Prior to the issue of the SQ informal market engagement was carried out with a number of highway contractors who had a track record of successfully delivering similar type contracts in London or the South East of England. This number of contractors is relatively small compared to other markets and it is becoming increasingly difficult to attract new organisations in to highway maintenance contracts.
40. The restricted process is a two stage process.
41. For both lots, the first stage was a SQ where potential bidders applied to be shortlisted for an ITT. All potential bidders needed to supply company or organisation details along with their experience of providing similar services elsewhere.
42. The contracts were advertised on 13 May 2019 through the OJEU and contracts finder website. The SQ documents, including the full suite of tender, contract, scope and pricing documents, were made available on 14 May 2019 to potential bidders through the Pro-Contract 3 procurement portal.
43. For Lot A five SQ responses were received and for Lot B five SQ responses were received. Of the five received for each Lot, four organisations applied for both Lot A and Lot B. The market response to the SQ was slightly less than anticipated and this may be down to a number of factors, including the current market conditions, strategic selection of contracts by suppliers and the ongoing uncertainty regarding the United Kingdom's membership of the European Union. However, sufficient responses were received from suitably experienced suppliers to continue the process.
44. All the responses were evaluated in line with SQ evaluation guidance to ensure those organisations wishing to be included in the ITT stage met the required

criteria. From this evaluation, five organisations were Invited To Tender for Lot A and four organisations were Invited To Tender for Lot B.

45. Tender documents were issued to all those selected for ITT for each Lot on 30 July 2019.
46. On 14 August a bidders workshop was held at the Council's offices in Tooley Street. This workshop included presentations relating to the tender process and timelines, social value portal, the expected works and the Southwark Streetscape Design Manual. Bidders were invited to ask questions at the workshop.
47. During the ITT process, three organisations withdrew from the Lot A tendering process and two organisations withdrew from the Lot B tendering process. This left two organisations competitively tendering for each Lot. The reasons given by the tenderers for their withdrawal from the tender process included:
 - Amendments made by the council to the standard NEC4 contract terms
 - Requirements of the Performance Bond
 - Concern over any burden relating to the UK withdrawal from the EU
 - The number of resources eligible to transfer under TUPE
 - The volume of tender stage return information.
48. These tenders were received on time before the tender submission deadline of Fri 18 October at 12:00.

Tender evaluation

49. The tender evaluation for each lot contains commercially sensitive information and is summarised in the Closed Report Appendices as detailed below:
 - Appendix 1 SHWC Lot A summary evaluation scores
 - Appendix 2 SHWC Lot B summary evaluation scores
50. The price, quality and social value for each tender was evaluated using the weightings listed below:
 - Lot A Maintenance
 - Price 65%
 - Quality 25%
 - Social value 10%
 - Lot B Projects
 - Price 55%
 - Quality 35%
 - Social Value 10%
51. Each tender submission for each Lot was checked for compliance in accordance with the ITT Evaluation Criteria document. Although only two tenders were received for each Lot, officers were satisfied that having passed the required compliance checks, and considering both tenderers were highly experienced highway maintenance contractors operating in London and the South east of England, both tenderers were capable of offering a good value quality service.

52. The quality submissions were issued to each of the four quality assessors. These submissions were checked independently by the assessors and their scores sent to the Project Assurance Officer.
53. The price evaluation for each Lot was completed by the Project Manager and Project Assurance Officer in accordance with the published price evaluation model. This evaluation was audited by WSP Limited who are the Council's independent highway cost consultants.

For Lot A this consisted of:

- Item price summary
- Composite rate summary
- Anticipated Annual Spend

For Lot B this consisted of:

- a. Item price summary
- b. Sample scheme cost

54. These contracts are included within the trial of incorporating social value into the works and services provided by the successful tenderer. The aim is to measure the additional benefits that suppliers can provide to the local community and residents, businesses and visitors to Southwark. Each tenderer had to submit a commitment against a number of pre-determined themes which gave a monetary value of the social value benefits of that commitment. They also had to provide a method statement of how they intended to carry out this commitment. The evaluation of the social value qualitative and quantitative scores was carried out by Social Value Portal Team under their agreement with Southwark Council.
55. A consensus meeting was held in November 2019 where the consensus quality scores were made and recorded. The appropriate weighting for each response was applied to provide an overall quality score for each tenderer for each Lot. These were added to the price scores and social value scores with the appropriate weightings included to provide an overall assessment for each Lot.
56. The summary scores for Lot A shown below:

Lot A Tender Submission Evaluation Summary

	Price	Quality	Social Value	Total Tender Score	Rank
Contractor A	65.00	17.05	8.79	90.84	1
Contractor B	43.26	15.00	9.00	67.26	2

57. The summary scores for Lot B are shown below:

Lot B Tender Submission Evaluation Summary

	Price	Quality	Social Value	Total Tender Score	Rank
Contractor A	55.00	23.14	6.89	85.03	1
Contractor B	44.67	20.23	9.00	73.90	2

58. Contractor A scored the overall highest score for each Lot. Therefore, the recommendation is to award both Lots to Contractor A.

Plans for the transition from the old to the new contract

59. The highways teams plans for the transition from the existing contract to the new contract contains commercially sensitive information and is detailed in the Closed report.

Plans for monitoring and management of the contract

60. The works contracts will be managed by officers from the Highways Division.

61. A series of Key Performance Indicators (KPIs) have been included for each Lot and they will be used to measure the contractor's performance.

62. In addition to the KPIs the contractor will report their social value performance with the required evidence to Social Value Portal each quarter. For each theme that the contractor has made a commitment against the contractor will report their performance and provide evidence against the projected commitment to Social Value Ltd. Social Value Portal will then verify this and report this to the council. Where commitments have not been met, this may be offset against other themes with the agreement of the council with an action plan put in place to meet the requirements in future.

63. The contract includes performance payments which will only be paid on acceptable performance by the contractor. There are defined escalation steps to be taken in the event of the contractor failing to provide the works as specified.

64. Officers will also produce Annual Performance Reviews in line with the council's Contract Standing Orders.

Identified risks for the new contract

65. Please refer to table 3 below

Table 3 Risk Table

No	Risk	Risk rating	Mitigation
1	Successful challenge to award decision	L	Measures were taken to ensure the procurement was carried out in line with EU / UK regulations and guidance. The evaluation methods were clearly identified within the procurement documents and the evaluation was carried out as stated and verified.
2	TUPE transfer insourcing	L	If personnel do not transfer key duties will need to be carried out by existing staff until appointments can be made.
3	Slightly different service is being implemented	L	Some risks have transferred between contractor and council. For example highway safety inspections will be carried out by the council under the new contract rather than the contractor.
4	Different relationship with designer	L	There will be a transition period where there is a relationship between the new contractor and Aecom as part of the current Conway Aecom JV. There will then be a new relationship with a potentially different designer(s) when the Professional Services contracts start.
5	New contract is NEC4	L	On-line training in the new contract has been provided for staff.
6	Possible impact on the exchange rate of sterling and free movement of labour when the UK leaves the EU	M	Precise arrangements regarding the possible UK withdrawal from the EU is still unknown. This may need to be reviewed and managed when the situation is a bit clearer.

66. Due to the value and nature of the Southwark Highways Works Contract a Performance Bond is required. The Southwark standard Bond was included within the tender documents and the proposed contractor has signed an undertaking to comply with the requirements of this Bond.

Community impact statement

67. People in all areas of the borough are affected by the quality of the public highway and its assets.

68. The very young, the disabled and the elderly would benefit the most by having a footway network which is well maintained and safe to use.
69. By providing a comprehensive and safe cycling network, the council will encourage the growth in cycling within the borough which in turn will help improve air quality.
70. The award of new contracts or delivering some of the services directly is not considered to have any detrimental impact on local people and communities.
71. All service elements contained in the contracts are a borough-wide service. The updated technical specification addresses planning and delivery of planned and responsive works and seeks to improve quality of the service and product and customer satisfaction.
72. The impact of the service will affect all communities / groups, residents, businesses, visitors and those that pass through the borough and will in turn improve the quality of life to all. Direct benefits are a well maintained infrastructure which makes an important contribution to the safety of all. Continued emphasis on maintenance will especially benefit the most vulnerable members of the community i.e. the elderly, the disabled and young children.

Social Value considerations

73. The contract has been written, and the procurement has been carried out, in line with the Fairer Future Procurement Framework.
74. The contract will include the social value commitments made by the successful contractor in their social value submission. For Lot A the Social Value commitments amount to 28% of the contract value, and for Lot B the Social Value commitments amount to 10% of the contract value. The commitments include, amongst other things:
 - Local employment
 - Support for young people including rehabilitating offenders
 - Support for people with disabilities
 - Apprenticeships
 - Formal training
 - Support to Voluntary, Community and Social Enterprise
 - Using the local supply chain
 - Staff wellbeing
 - Support / contributions to local community projects.
75. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The social value considerations included in the tender (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

Economic considerations

76. As the council explores ways it can continue to deliver value for money, it is essential that it make even better use of its resources to meet the needs of residents and businesses in the borough.
77. Under theme 4 – a full employment borough of the Fairer Future Commitments, Southwark pledge to help create 2,500 new apprenticeships. The successful contractor has made a commitment through their social value submission to provide some of these opportunities on each Lot.

Social considerations

78. Under the SQ process the council ensured all companies offered an ITT provided assurances regarding blacklisting. The opportunity to tender can exclude companies who break the law by blacklisting if they are either still blacklisting or have not put into place genuine actions concerning past blacklisting activities. The council can require "self cleaning" which enables a potential contractor to show that it has or will take measures to put right its earlier wrongdoing and to prevent them from re-occurring and to provide evidence that the measures taken by the economic operator are sufficient to demonstrate it has:
 - "Owned Up": clarified the facts and circumstances in a comprehensive manner by actively collaborating with the investigating authorities
 - "Cleaned Up": taken concrete technical, organisational and personnel measures that are appropriate to prevent further criminal offences or misconduct, and
 - "Paid Up": paid or undertaken to pay compensation in respect of any damage caused.
79. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, development partners engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. The successful contractor has confirmed they, and their suppliers where required, comply with these requirements.
80. Under the SQ the successful contractor demonstrated that they acknowledge and meet the legal requirements around an individual's rights to be members of trade unions.
81. Through one of the Quality Questions the successful contractor advised of their commitment to attract and support more women and BME residents who are underrepresented in the professional technical services industry into these opportunities.

Environmental/Sustainability considerations

82. The new contract will adhere to industry best practice on sustainability and arisings from highways maintenance will be recycled and re-used in the borough whenever possible.

83. The contract specifications will 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.
84. The contract specifications will demand the latest Euro standard engines on new fleet in this contract, and encourage more sustainable forms of transport where this is feasible.
85. The use of dust suppression techniques for all construction activities will be a contractual requirement. Road planers will be fitted with systems using computer controls to manage suppression whilst minimising water consumption.

Market considerations

86. This section contains commercially sensitive information and is detailed in the closed report.

Staffing implications

87. Due to the separation of the works contract and professional services contract there may be some increased administrative and contract management responsibilities. With the proposed enhancement of the design team this workload will be manageable within the existing Highways structure

Financial implications

88. The proposed contract does not commit the council to any minimum contract value as the estimated contract values reflected in the report are indicative and will be subject to funding available from revenue and capital budgets.
89. The Highways budgets indicated in the table below for future years are indicative only and will require approval through the council's annual budget setting process for both revenue and capital budgets. Similarly TfL / Local Implementation Plan (LIP) / Development (Dev't) funding will also require confirmation from respective authority.
90. Staffing and any other costs connected with this report will need to be contained within existing departmental revenue budgets.
91. The current and proposed highways revenue and capital budgets are detailed in the table below.

92.

Table 4 – Estimated highways budgets

Year	£000's						
	Revenue	London Borough of Southwark Capital	Structure capital	TfL LiP (m'ance)	TfL LIP (schemes)	Dev't	Total
2018/19	2,000	4,000	1,400		500	750	7,970
2019/20	2,000	3,000	250		500	750	6,500
2020/21	2,000	3,000	100	750	1,000	750	7,600
2021/22	2,000	2,000	100	750	1,000	750	7,600
2022/23	2,000	3,400	100	750	2,000	750	9,000
2023/24	2,000	3,400	100	750	2,000	750	9,000
2024/25	2,000	4,000	0	750	2,500	750	10,000
2025/26	2,000	4,000	0	750	2,500	750	10,000
2026/27	2,000	4,000	0	750	3,000	750	11,000
2027/28	2,000	4,000	0	750	3,000	750	11,000
2028/29	2,000	4,000	0	750	3,000	750	11,000
Total	22,000	38,800	2,050	6,750	21,000	8,250	100,670

Investment implications

93. There are no investment implications in this report.

Legal implications

94. Please see concurrent from the Director of Law and Democracy

Consultation

95. Individual projects and initiatives will require public consultation.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (EL19/060)

96. This report requests that the Cabinet approves the award to Contractor A of the Highways Lot A – Maintenance and Lot B – Project contracts, for the period from 1 July 2020 to 31 March 2026, with the option of a 2 years extension to 31 March 2028.

97. The strategic director of finance and governance notes that financial components of the procurement have been appraised in collaboration with the Finance Team.

98. Additionally the strategic director of finance and governance notes the financial implications detailed in paragraphs 88 to 92 and that funding for these proposals

will be met from departmental revenue and capital budgets, TfL local implementation funds and section 106 developer contributions. It is noted that the funding and their mix are only indicative at this stage and subject to the annual budget setting process.

99. The strategic director of finance and governance also notes that staffing and any other running costs connected with these recommendations are to be contained within existing departmental budgets.

Head of Procurement

100. This report seeks approval from Cabinet for the award of Highways Lot A – Maintenance and Lot B – Project to Contractor A, for a period of 5 years 9 months and the provision to extending by a period/s of 2 years commencing on 1 July 2020.
101. The report details that this procurement was conducted through an EU 2 stage restricted procedure, which was advertised on OJEU, in compliance with the requirements of the EU Procurement Regulations 2015 and in accordance with the strategy proposed in the relevant Gateway 1 and the Council's CSOs.
102. The evaluation methodology is detailed in paragraphs 49 to 58 and in the Appendices of the Closed report.
103. The report confirms the monitoring and management arrangements that will be in place during the life of the contract as detailed in paragraphs 60 to 64.

Director of Law and Democracy

104. This report seeks approval of the award of the Southwark Highways Works Contracts (Lots A and B) to Contractor A, as detailed in paragraph 1.
105. The procurement of the works described in this report will assist the council to fulfil its statutory duties as local highway authority.
106. As noted in paragraph 21 the procurement of the works required by the council is subject to the application of the (EU) Public Contracts Regulations 2015. The process which has been followed (as described from paragraph 37) is consistent with the procurement strategy approved previously, and is compliant with the EU Regulations, domestic legislation, relevant corporate policy and the requirements of the council's Contract Standing Orders ("CSOs").
107. The proposed contract lot awards are in relation to a strategic procurement as defined in CSOs, which means that the decision to approve the report recommendation is one which is expressly reserved to the Cabinet, after consideration of the report by the corporate contract review board.
108. In making procurement decisions Cabinet should be mindful of the Public Sector Equality Duty under section 149 of the Equality Act 2010, and to have regard to the need to (a) eliminate discrimination, harassment, victimisation or other prohibited conduct, (b) advance equality of opportunity and (c) foster good relations between persons who share a relevant protected characteristic and those who do not share it. The relevant characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion, or belief, sex and sexual orientation. The duty also applies to marriage and civil

partnership but only in relation to (a). Cabinet is specifically referred to the community impact statement set out from paragraph 67, which notes the consideration that has been given to equalities issues, and it is recommended that an equality analysis should be undertaken periodically in order to measure the likely and actual effect and impact of the works on individuals and groups within the community, in particular those having a protected characteristic under the Act.

109. Cabinet is also referred to paragraph 95 which acknowledges that appropriate consultation will be required, both with contractors and staff in relation to the transition to the new arrangements and with the public regarding future highway projects.

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 0 – Strategic Options Assessment for 2019+ Highways Services Delivery Options	Highways Division, Environment & Leisure Dept, 160 Tooley St.	Jason White 020 7525 4032
Link (please copy and paste into your browser): http://moderngov.southwark.gov.uk/documents/s76582/Report%20Gateway%20-%20Strategic%20Options%20Assessment%20for%202019%20Highways%20Services%20Delivery%20Options%20and%20C.pdf		
Gateway 1 – Procurement Strategy Approval for Southwark Highways Works Contracts	Highways Division, Environment & Leisure Dept, 160 Tooley St.	Jason White 020 7525 4032
Link (please copy and paste into your browser): http://moderngov.southwark.gov.uk/documents/s79147/Report%20Gateway%201%20-%20Procurement%20Strategy%20Approval%20for%20Southwark%20Highways%20Works%20Contracts.pdf		

APPENDICES

No	Title
Appendix 1	Contains commercially sensitive material – refer to Closed report
Appendix 2	Contains commercially sensitive material – refer to Closed report

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Environment, Transport and the Climate Emergency	
Lead Officer	Caroline Bruce, Strategic Director of Environment and Leisure	
Report Author	Jason White, Highways, Environment and Leisure	
Version	Final	
Dated	9 January 2020	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Director of Exchequer (for housing contracts only)	N/a	N/a
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		9 January 2020