

## NORTH LINCOLNSHIRE COUNCIL

### POLICY AND RESOURCES CABINET MEMBER

#### CONSTRUCTION AND HIGHWAYS FRAMEWORK AWARD

##### 1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 This report sets out the findings and outcome of a procurement process to establish a council-wide framework arrangement for construction and highways requirements.
- 1.2 The key points in this report are:
- The council has a combined spend of approximately £20m a year on construction and highways related projects.
  - A procurement plan for construction and highways requirements was approved by the policy and resources cabinet member in January 2013.
  - A successful EU compliant procurement process has been undertaken.
  - Findings from the process are set out in the report.

##### 2. BACKGROUND

- 2.1 In January 2013 the Policy and Resources Cabinet Member approved a procurement process for the establishment of a council-wide integrated framework arrangement for the future procurement of construction and highways related projects.
- 2.2 The main features of the proposed framework included:
- promote effective competition to obtain best market prices and demonstrate value for money
  - provide a “one council” solution across all categories
  - support modern commercial management of activity in line with category management principles
  - provision for developing a commercial framework solution that could be offered to customers within the council’s traded services portfolio
  - support the timely delivery of council priorities and key capital projects
  - provide an opportunity for local businesses and SMEs to compete
  - provide social value benefits
  - four year maximum duration in line with EU procurement rules

2.3 Due to the aggregated value of the procurement, an OJEU Restricted Procedure procurement process was undertaken which involved the following stages:

- stage 1: Pre-Qualification Process to shortlist a number of suitable companies to tender
- stage 2: Invitation to Tender (ITT) where shortlisted companies were invited to submit a tender

2.4 The framework was advertised on the basis of the following lots. Applicants were invited to submit a PQQ for one or any combination of lots:

| <b>Lot Description</b>   | <b>Value Range</b> |
|--|--------------------|
| <b>Lot 1</b> – Construction and General Building   | £50,001 – £0.5m    |
| <b>Lot 2</b> – Construction and General Building   | £0.5m - £2.5m      |
| <b>Lot 3</b> – Construction and General Building   | £2.5m - £10m       |
| <b>Lot 4</b> – Construction Design and Build   | £0.5m - £10m       |
| <b>Lot 5</b> – Repairs and Maintenance, Construction and Home Assistance, General Building | £1 - £50,000       |
| <b>Lot 6</b> – Repairs and Maintenance, Construction and Home Assistance, Mechanical       | £1 - £50,000       |
| <b>Lot 7</b> – Repairs and Maintenance, Construction and Home Assistance, Electrical       | £1 - £50,000       |
| <b>Lot 8</b> – Roofing   | Terminated         |
| <b>Lot 9</b> – Highways Civils Works   | £1 - £5m           |
| <b>Lot 10</b> – Highways Surface Treatment   | £1 - £5m           |
| <b>Lot 11</b> – Highways Surfacing Works   | £1 - £5m           |

2.5 A contract notice was placed in the Official Journal of the European Journal (OJEU) and YORtender portal on 19 April 2013. The entire procurement process was managed through the council's e-tendering system. Further advertising and pro-active market engagement was undertaken to promote the opportunity to local construction firms.

2.6 The procurement process was managed by a project team involving key officers across construction, property, highways and procurement disciplines.

2.7 Specialist contract and construction commercial risk management advice was provided to the project team by Docte Ltd, market leaders in the development of best practice commercial construction frameworks. Progress was monitored by a construction board comprising relevant cabinet members and senior officers.

2.8 78 responses were received for evaluation by the deadline for the submission of pre-qualification questionnaires on the 20 May 2013.

2.9 Following an evaluation process 40 applicants were shortlisted to the Invitation to Tender stage.

2.10 Lot 8 (Roofing Services) was terminated at the PQQ stage due to lack of market interest. This Lot will be subject to a further procurement commencing in July 2014.

2.11 42 tenders were received from 40 tenderers across all lots by the tender deadline of 19 March 2014.

- 2.12 Tenders were evaluated on the basis of Most Economically Advantageous Tender (MEAT) criteria. The award criteria was specified at 60% cost, 40% quality.
- 2.13 A number of invited tenderers 'opted out' at tender stage via the YORtender system. The predominant reason given was due to a lack of capacity given increasing workload and market conditions.
- 2.14 Following consultation with legal services the framework arrangement was concluded in accordance with the EU procurement regulations with a single bidder for Lot 9 and two bidders for Lot 10 and 11 respectively.
- 2.15 44% of tenderers awarded onto the framework are based in North Lincolnshire and are SME sized.
- 2.16 The award recommendation was agreed by the construction board and formally approved by the Director of Places on 4 April 2014. Standstill letters were issued to tenderers on 28 April 2014. No challenges from unsuccessful tenderers were received. The framework was awarded on 12 May 2014.
- 2.17 The commencement date for the framework arrangement was 13 May 2014. Details of the successful tenderers are provided at appendix 1.
- 2.18 The following provisions will help to ensure that value for money is achieved over the operational life of the framework:
- further competition mechanisms incorporated into key lots
  - a suite of key performance indicators will be used to monitor performance.
  - tenderers submitted their best and final offers via a competitive process
  - tenders have been benchmarked against current rates where possible and savings have been evidenced
  - use of the framework arrangement is not binding on the council and as such it can access alternative arrangements to test the market and benchmark pricing
  - the construction and highways board will periodically review the performance of the framework
  - the principal category specialist (construction & waste) will contract manage the framework using category management principles

### **3. OPTIONS FOR CONSIDERATION**

- 3.1 As this is an information report there are no options to be considered.

### **4. ANALYSIS OF OPTIONS**

- 4.1 See 3.1 above

## **5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

### **5.1 Financial**

Analysis of bid prices compared to tendered prices previously paid has indicated the following outcomes:

- Construction (Lots 1 – 4) no direct comparison available
- Repairs and Maintenance (Lots 5 – 7) c. 3% average saving
- Roofing (Lot 8) terminated
- Highways Civil (Lot 9) c. 3% average saving
- Highways Surfacing (Lots 10 & 11) price inflation in line with current sector trends

### **5.2 Staffing**

Staffing issues associated with TUPE have been managed as part of the process.

### **5.3 Property & IT**

None

## **6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

- 6.1 An Integrated Impact Assessment was undertaken at the pre-procurement stage which has informed a number of social value considerations included in the delivery of the framework.

## **7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTEREST DECLARED**

- 7.1 This report has been prepared following extensive consultation with services.

- 7.2 No conflicts of interest have been identified.

## **8. RECOMMENDATIONS**

- 8.1 That the outcome of the procurement process is noted

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### **Background Papers used in the preparation of this report:**

Award Recommendation Report

Cabinet Member Report 16 January 2013

## Appendix 1 – Successful Tenderers Per Lot

| <b>Lot 1 Construction and General Building</b>  | <b>Business Location</b>  | <b>SME Business</b>  |
|---|---|--|
| <ul style="list-style-type: none"> <li>• Clugston Construction</li> <li>• G S Kelsey Ltd</li> <li>• Interserve Construction Limited</li> <li>• John Martin-Hoyes Ltd</li> <li>• Steve Ball Joinery and Building Ltd</li> <li>• Topcon Construction Ltd</li> </ul> | <ul style="list-style-type: none"> <li>• North Lincolnshire</li> <li>• North Lincolnshire</li> <li>• National</li> <li>• Lincolnshire</li> <li>• North Lincolnshire</li> <li>• N.E. Lincolnshire</li> </ul> | <ul style="list-style-type: none"> <li>• Yes</li> <li>• Yes</li> <li>• Yes</li> <li>• Yes</li> </ul> |
| <b>Lot 2 Construction and General Building</b>  | <b>Business Location</b>  | <b>SME Business</b>  |
| <ul style="list-style-type: none"> <li>• Britcon Limited</li> <li>• Clugston Construction Ltd</li> <li>• G S Kelsey Ltd</li> <li>• Geo. Houlton &amp; Sons Ltd</li> <li>• Harry Fairclough Construction Ltd</li> <li>• Interserve Construction Ltd</li> </ul>     | <ul style="list-style-type: none"> <li>• North Lincolnshire</li> <li>• North Lincolnshire</li> <li>• North Lincolnshire</li> <li>• Hull City</li> <li>• Regional</li> <li>• National</li> </ul>             | <ul style="list-style-type: none"> <li>• Yes</li> </ul>  |
| <b>Lot 3 Construction and General Building</b>  | <b>Business Location</b>  | <b>SME Business</b>  |
| <ul style="list-style-type: none"> <li>• Britcon Ltd</li> <li>• Clugston Construction Ltd</li> <li>• Geo. Houlton &amp; Sons Ltd</li> <li>• Harry Fairclough Construction Ltd</li> <li>• Interserve Construction Ltd</li> <li>• Lindum Group Limited</li> </ul>   | <ul style="list-style-type: none"> <li>• North Lincolnshire</li> <li>• North Lincolnshire</li> <li>• Hull City</li> <li>• Regional</li> <li>• National</li> <li>• Lincolnshire</li> </ul>                   |  |
| <b>Lot 4 Construction Design and Build</b>  | <b>Business Location</b>  | <b>SME Business</b>  |
| <ul style="list-style-type: none"> <li>• Clugston Construction Ltd</li> <li>• Geo. Houlton &amp; Sons Ltd</li> <li>• Interserve Construction Ltd</li> </ul>   | <ul style="list-style-type: none"> <li>• North Lincolnshire</li> <li>• Hull City</li> <li>• National</li> </ul>   |  |
| <b>Lot 5 Repairs and Maintenance, Construction and Home Assistance, General Building</b>  | <b>Business Location</b>  | <b>SME Business</b>  |
| <ul style="list-style-type: none"> <li>• F R Townsend &amp; Co Ltd</li> <li>• Hill Builders (Humberside) Ltd</li> <li>• Steve Ball Joinery and Building Ltd</li> <li>• Topcon Construction Ltd</li> </ul>   | <ul style="list-style-type: none"> <li>• N.E. Lincolnshire</li> <li>• North Lincolnshire</li> <li>• North Lincolnshire</li> <li>• N.E. Lincolnshire</li> </ul>  | <ul style="list-style-type: none"> <li>• Yes</li> <li>• Yes</li> <li>• Yes</li> <li>• Yes</li> </ul> |
| <b>Lot 6 Repairs and Maintenance, Construction and Home Assistance, Mechanical</b>  | <b>Business Location</b>  | <b>SME Business</b>  |
| <ul style="list-style-type: none"> <li>• Acumen Solutions Ltd</li> <li>• F.R.Townsend &amp; Co Ltd</li> <li>• J Coultas &amp; Co Ltd</li> </ul>   | <ul style="list-style-type: none"> <li>• North Lincolnshire</li> <li>• N. E Lincolnshire</li> <li>• North Lincolnshire</li> </ul>   | <ul style="list-style-type: none"> <li>• Yes</li> <li>• Yes</li> <li>• Yes</li> </ul>                |
| <b>Lot 7 Repairs and Maintenance, Construction and Home Assistance, Electrical</b>  | <b>Business Location</b>  | <b>SME Business</b>  |
| <ul style="list-style-type: none"> <li>• F.R.Townsend &amp; Co Ltd</li> <li>• Holls Electrical Ltd</li> <li>• Seymour and Castle Ltd</li> </ul>   | <ul style="list-style-type: none"> <li>• N. E. Lincolnshire</li> <li>• North Lincolnshire</li> <li>• N. E. Lincolnshire</li> </ul>  | <ul style="list-style-type: none"> <li>• Yes</li> <li>• Yes</li> <li>• Yes</li> </ul>                |
| <b>Lot 9 Highways Civils Works</b>  | <b>Business Location</b>  | <b>SME Business</b>  |
| <ul style="list-style-type: none"> <li>• Clugston Construction Ltd</li> </ul>   | <ul style="list-style-type: none"> <li>• North Lincolnshire</li> </ul>  |  |
| <b>Lot 10 Highways Surface Treatment</b>  | <b>Business Location</b>  | <b>SME Business</b>  |
| <ul style="list-style-type: none"> <li>• Colas Ltd</li> <li>• Kiely Bros Ltd</li> </ul>   | <ul style="list-style-type: none"> <li>• National</li> <li>• National</li> </ul>  |  |
| <b>Lot 11 Highways Surfacing Works</b>  | <b>Business Location</b>  | <b>SME Business</b>  |
| <ul style="list-style-type: none"> <li>• Colas Ltd</li> <li>• E C Surfacing Ltd</li> </ul>  | <ul style="list-style-type: none"> <li>• National</li> <li>• North Lincolnshire</li> </ul>  | <ul style="list-style-type: none"> <li>• Yes</li> </ul>  |

