

NORTH LINCOLNSHIRE COUNCIL

CABINET MEMBER POLICY AND RESOURCES

PROCUREMENT OF CONSTRUCTION AND HIGHWAYS RELATED PROJECTS

1 OBJECT AND KEY POINTS IN THIS REPORT

1.1 To consider and approve a procurement plan for establishing an Integrated Framework for construction and highways procurement

1.2 The key points in this report are as follows:-

- Procurement plans for requirements with a value greater than £1m must be reported to the relevant cabinet member in accordance with Contract Procurement Rules (CPR 4.6)
- A comprehensive soft market testing exercise was undertaken to help inform an options appraisal for the future procurement of construction and highways related projects/works
- It is proposed that procurements will commence in early 2013 as detailed in the report

2. BACKGROUND INFORMATION

2.1 As a council we manage and procure a range of construction and highways related activities valued at c. £20m each year.

2.2 Activities are currently provided using a combination of direct labour organisation (DLO) and in-house project management and technical resource supplemented by an external supply chain.

2.3 The existing delivery model includes a Highways Alliance, elemental frameworks and standing lists of approved contractors with discrete work streams for construction and highways activities.

2.4 A list of the main contracts and expiry dates is detailed below:

- | | |
|--|-------------------|
| • Highways Alliance | 30 June 2013 |
| • Elemental Partnering Framework 1 (R&M) | 30 June 2013 |
| • Elemental Partnering Framework 2 (R&M) | 30 September 2013 |
| • Approved List (Construction) | 31 December 2013 |
| • Professional Services (Technical Advice) | 30 November 2014 |

2.5 In light of the schedule of expiry dates and as part of a comprehensive review of re-procurement options, the council undertook a soft market testing (SMT) exercise to examine whether services could be delivered in a different and better way in the future and to add clarity to the possible scope of the procurement model.

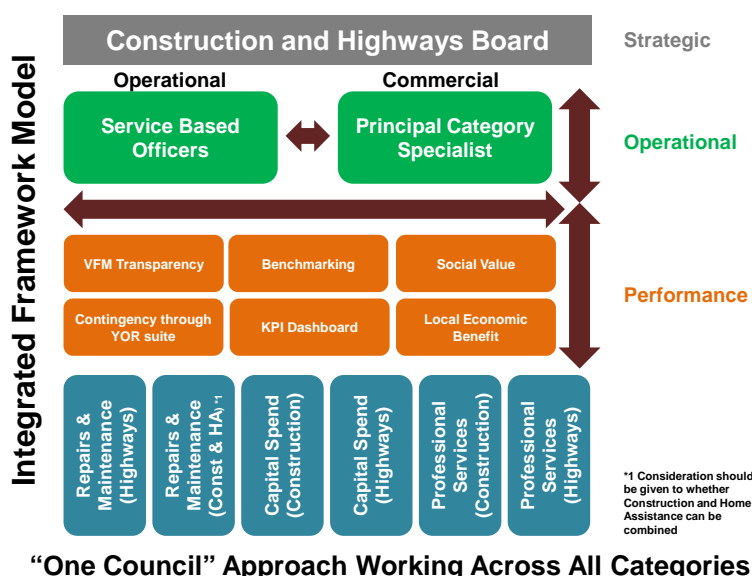
2.6 Recommendations for the re-procurement of services were compiled based on research and analysis undertaken by a cross functional team of officers/elected members taking into account the findings from soft market testing and sources of best practice. The principal recommendations included a proposal to:

- retain existing DLO arrangements under the council's direct control to provide flexibility, rapid response, and maintain operational certainty and knowledge
- develop with external providers a modern Integrated Council Specific Framework ("Integrated Framework") underpinned by category management
- give consideration to combining Repairs & Maintenance (Construction) and Home Assistance works categories
- develop a detailed framework design for each individual category

2.7 In accordance with CPRs, where a project exceeds £1m and is cross portfolio, a procurement plan must be agreed by the Cabinet Member for Policy and Resources before any procurement can commence.

3. OPTIONS FOR CONSIDERATION

3.1 The principal recommendation arising from SMT as detailed above was to establish a modern Integrated Framework for construction and highways related projects/works as detailed below:



*1 Consideration should be given to whether Construction and Home Assistance can be combined

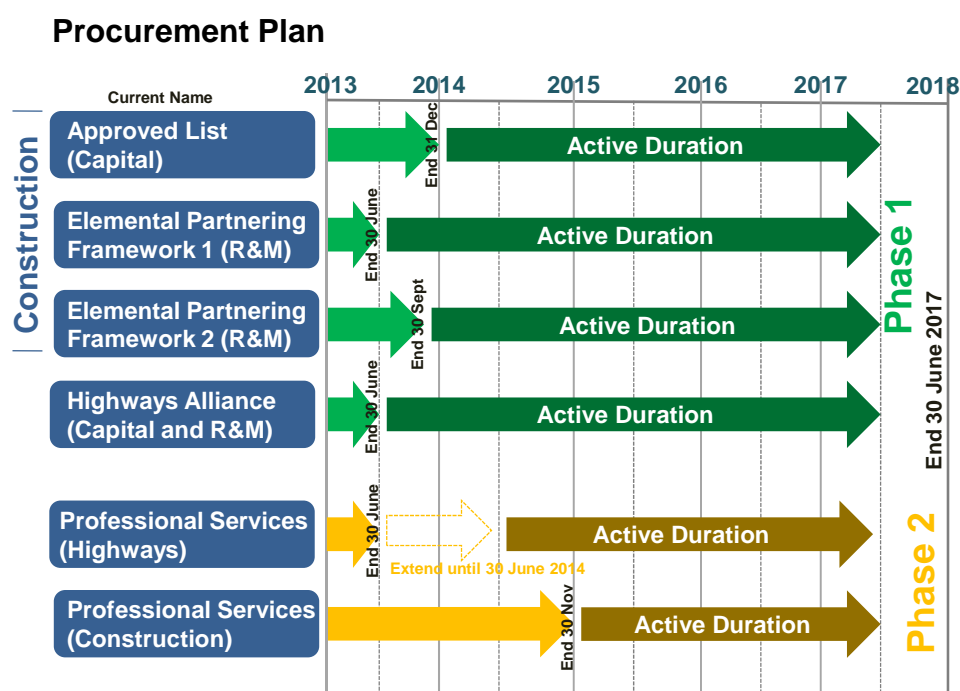
3.2 A Construction and Highways Board will be established to provide governance and challenge during both the procurement process and throughout the term of the frameworks. It is proposed that the frameworks will be managed by a Principal Category Specialist (Construction) on behalf of all services in line with the council's Category Management strategy, and supported by service based officers for operational activity. The former will lead on commercial matters with services responsible for mini competition work and day to day contract management activity. This will be met from existing resources.

3.3 The main features of an integrated framework include:

- four year maximum duration in line with EU rules

- promote effective competition to obtain best market prices and demonstrable value for money
- provide a “One Council” solution across all categories
- support commercial management of activity in line with modern category management principles
- open opportunities for local businesses and SMEs
- enable social value benefits such as apprenticeships to be developed
- provide an opportunity to derive external income through offering fee based access to services to other contracting entities

3.4 As mentioned in paragraph 2.4, the council has a number of contract arrangements which expire at different points over the next 24 months. It is therefore proposed to split the procurement into two phases. Both phases will be run as separate procurement exercises with a common co-terminus end date, see below



3.5 Phase 1 will consist of construction and highways capital, and repairs and maintenance related projects/works.

- Lot 1 - Capital Spend (Construction)
- Lot 2 - Repairs & Maintenance (Construction) with an option to include Home Assistance
- Lot 3 - Capital Spend (Highways)
- Lot 4 - Repairs & Maintenance (Highways)

3.6 Phase 2 will comprise Professional Services for construction and highways. It is proposed that Professional Services which are provided under the current Highways Alliance contract is extended or re-procured for 12 months to bring all professional services together under a single procurement. This will also allow extra time to plan for a smoother transition to a new framework approach and it will also ensure that a proposed new commercial and contract category management approach is fully embedded:

- Lot 5 - Professional Services (Construction)

- Lot 6 - Professional Services (Highways)

3.7 Individual teams will be required to develop a detailed shape for each lot including value bandings and number of suppliers. Scope to permit other contracting entities to use the frameworks will be provided as part of the development of a commercial offer.

3.8 Because of the aggregated value an OJEU Restricted Procedure will be used that has two stages.

- Stage 1: Pre-qualification Questionnaire (PQQ) enables the council to reach, and then select, a suitable number of companies to invite to tender.
- Stage 2: Tender stage where selected suppliers will be invited to tender in each lot.

3.9 The indicative timelines for Phase 1 are detailed below:

Action	Start Date	End Date
STAGE 1		
Issue OJEU Notice (Pre-qualification Stage)	4 February 2013	8 March 2013
Supplier Short-listing	11 March 2013	29 March 2013
STAGE 2		
Invitation to Tender	1 April 2013	6 May 2013
Tender Evaluation	7 May 2013	8 June 2013
Contract Approval and Contract Award (Alcatel)	10 June 2013	28 June 2013

3.10 The indicative timelines for Phase 2 are detailed below:

Action	Start Date	End Date
STAGE 1		
Issue OJEU Notice (Pre-qualification Stage)	2 September 2013	11 October 2013
Supplier Short-listing	14 October 2013	29 November 2013
STAGE 2		
Invitation to Tender	6 January 2014	14 February 2014
Tender Evaluation	17 February 2014	31 March 2014
Contract Approval and Contract Award (Alcatel)	1 April 2014	30 April 2014

3.11 The tenders will be evaluated using the criteria of "Most Economically Advantageous Tender" (MEAT).

3.12 The council will manage the procurement process through the YORtender supplier contract management system.

- 3.13 A cross-council team was formed as part of the soft market testing work and this team will develop specifications and consider the tenders. The group has fair representation from all relevant services.
- 3.14 The marketing of the procurement particularly to local contractors will be undertaken with the assistance of the Economic Development team as part of the Buy4NorthernLincolnshire initiative.

4. ANALYSIS OF OPTIONS

- 4.1 The proposed way forward represents the best procurement option for the council incorporating the views of officers, key findings from soft market testing, and outcomes and priorities of the Cabinet Team. This will offer the best mix of: competitiveness, demonstrable VFM, flexibility, local economic benefit and commercial opportunity.
- 4.2 Other options have been explored however following review they are deemed not to deliver the desired outcomes as effectively as an Integrated Framework arrangement specifically in relation to VFM and the ability to challenge and benchmark.

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

- 5.1 As detailed in paragraph 3.13 a cross-council team will be established from existing resources.
- 5.2 A Construction and Highways project board will comprise the Director of Places, Assistant Director Community Services, Assistant Director Business Support, Head of Construction and Head of Better Routes

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 CRIME AND DISORDER, RISK AND OTHER)

- 6.1 There are no other implications to consider at this stage

7. OUTCOMES OF CONSULTATION

- 7.1 A cross functional team of officers from Construction, Highways, Home Assistance, Procurement and Schools was formed for the soft market testing process.
- 7.2 The Cabinet Team and CMT have supported in principle an outline proposal for a new Integrated Council Specific Framework.
- 7.3 Consultation will take place with the council's Economic Development team about how best to support the local economy and all industry suppliers as part of the procurement process.

8. RECOMMENDATIONS

- 8.1 That the cabinet member approves the proposed procurement plan for Phase 1 and Phase 2.

**DIRECTOR OF POLICY AND RESOURCES
DIRECTOR OF PLACES**

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Background Papers used in the preparation of this report - None