

 <p>h&f the low tax borough</p>	<p>London Borough of Hammersmith & Fulham</p> <p>CABINET</p> <p>6 JANUARY 2014</p>
<p>HIGHWAYS WORK CONTRACT EXTENSIONS</p>	
<p>Report of the Cabinet Member for Transport and Technical Services – Councillor Victoria Brocklebank-Fowler</p>	
<p>Open Report A separate report on the exempt Cabinet agenda provides exempt financial information.</p>	
<p>Classification - For Decision Key Decision: Yes</p>	
<p>Wards Affected: All</p>	
<p>Accountable Executive Director: Nigel Pallace – Executive Director, Transport & Technical Services</p>	
<p>Report Author: Arif Mahmud – Highway Maintenance Manager</p>	<p>Contact Details: Tel: 020 7341 5237 E-mail: arif.mahmud@rbkc.gov.uk</p>

1. EXECUTIVE SUMMARY

- 1.1 A number of highway works term contracts are due to expire on 31 March 2014. This report seeks approval to grant one year extensions to the contracts listed in paragraph 3.2 in order to maintain service continuity and to align the contracts with other contracts both within the London Borough of Hammersmith and Fulham (H&F) and the Royal Borough of Kensington and Chelsea (RBKC) that are due to expire in 2015.
- 1.2 A similar Key Decision report will be presented to the relevant Cabinet member in the Royal Borough of Kensington and Chelsea.

2. RECOMMENDATION

- 2.1 That approval be given to one-year extensions of the contracts listed in paragraph 3.2 of the report in accordance with option 3 (paragraph 5.3).

3. BACKGROUND

- 3.1 The Council awarded five highway works contracts in 2009 and 2010 with various contractors. The contracts are listed in Appendix A and, as shown, the contracts were all for a period of five years with the provision to grant up to three consecutive extensions of one year.
- 3.2 Three of the five contracts are due to expire in March 2014. These are:-
- Paving Works
 - Gully Cleansing, Gully Repairs and Sewer Connections
 - Tree Maintenance (Advance Tree Services)
- 3.3 These contracts could either be allowed to expire, or a one-year extension could be granted within the provisions of the contract. This paper sets out the options available to ensure service continuity and best value for the Council.

4. TERM CONTRACTS FOR HIGHWAY WORKS

- 4.1 The Council has traditionally awarded separate term contracts for various types of work on the highway such as drainage, footway paving and carriageway resurfacing. The contracts are competitively tendered and this arrangement ensures that our contractors are responsive to our work programme and fully familiar with the standard of workmanship expected within the borough.
- 4.2 The Bi-borough service review anticipates savings could be made in both boroughs by letting joint contracts. This would yield savings in the tender process as well as in the schedule of rates through economies of scale. In order to capitalise on the letting of joint contracts, it will be necessary to allow all current contracts to expire. Appendix A lists all highway contracts in H&F and the Royal Borough. As shown, there are three contracts in H&F and four in the Royal Borough that are due to expire in 2014. The remaining contracts in both boroughs are due to expire in 2015. Therefore, extending the seven contracts in the two boroughs by a further one year would enable new joint contracts to be let commencing in April 2015. The contracts could also be rationalised where possible: - for example in LBHF the contract for highway resurfacing also includes road marking, while in the Royal Borough, there are two separate contracts.

- 4.3 The Royal Borough and H&F are also named in a framework contract currently being let by Westminster City Council (WCC). The framework contract will encompass all aspects of highway design and construction and is due to commence in April 2014. Officers expect to have sight of the schedule of rates for this contract in January 2014 and will be able to advise whether the contract is likely to present a viable alternative to letting a Bi-borough contract as described in paragraph 4.2 above.
- 4.4 Similarly, Transport for London (TfL) awarded highways contracts to consortiums in April 2013, which are available to all London boroughs. The London Highways Alliance Contract (LoHAC) operates in four sectors in London and both H&F and the Royal Borough fall into the Central Area. Officers will also assess the rates given in this contract.
- 4.5 The three contracts shown in Appendix A as expiring in 2014 have the provision to be extended by up to three years in three consecutive one-year extensions. In extending these contracts and doing likewise in RBKC, would enable the highway contracts to be aligned in both boroughs in order to let joint Bi-borough contracts in April 2015, or to make use of LoHAC or WCC's framework contract once these have been properly assessed.
- 4.6 In exploring the option to extend the contracts due to expire in 2014, officers engaged with the affected contractors to see if they were willing to offer reductions in their schedule of rates in the event of being granted an extension. As a result, the contractors have offered discounts that equate to savings of approximately £20,000 for H&F alone in 2014/15, with the possibility of further savings if the annual inflationary increase is in excess of 2%.
- 4.7 The contracts due to end in March 2014 in the Royal Borough are:-
- Paving Works
 - Gully Cleansing, Gully Repairs and Sewer Connections
 - Tree Maintenance (Advance Tree Services)

5. OPTIONS AND ANALYSIS

- 5.1 **Option 1- Do nothing.** Allowing the three contracts listed in paragraph 3.2 to expire would affect the department's ability to deliver the highways maintenance programme and capital projects after March 2014. Whilst LoHAC and WCC's framework contract could be used, these contracts have not been assessed nor tested in H&F.
- 5.2 **Option 2- Retender the contracts that expire in 2014.** We would lose the opportunity to repackage our highway term contracts as joint Bi-borough contracts since the contracts in the two boroughs do not all expire in 2014.

5.3 **Option 3- Extend the contracts that finish in 2014 by one year.** This will align all highway works contracts in both boroughs so that they all finish in 2015. There is provision in the contracts for the extension. It will allow us to review our position in 2014 to either:-

- retender our contracts on a Bi borough basis, thereby making a saving on the cost of retendering and obtaining favourable rates through economies of scale or;
- fully evaluate the offer through LoHAC or the WCC framework contract.

6. EQUALITY IMPLICATIONS

6.1 There are no equality implications in this report.

7. LEGAL IMPLICATIONS

7.1 The Director of Legal Services comments that the Council may extend a Contract in accordance with its advertised terms and will not be in breach of EU regulations in doing so. The values of the contract extensions require a Key Decision.

7.2 Implications confirmed by: Steve Mariani (Legal Department, RBKC)

8. FINANCIAL AND RESOURCES IMPLICATIONS

8.1 The Bi-Borough Director for Finance (ELRS and TTS) comments that the extension to contracts will provide discounts of about £20,000 to the Council.

8.2 By aligning these contracts the intention is to retender in 2015 on Bi Borough basis it is expected that this will provide additional opportunity for further savings as we will be tendering for more work.

8.3 Implications confirmed by: Gary Hannaway, Head of Finance, TTS. Tel. 020 8753 6071.

9. PROCUREMENT, RISK MANAGEMENT AND IT STRATEGY IMPLICATIONS

9.1 The Corporate Procurement Team agrees with the comments contained in this report and will assist in drawing up the Business Case prior to going out to retender these highways works contracts.

9.2 Implications confirmed by: Alan Parry, Procurement & IT Strategy.
Tel.020 8753 2581.

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Bi Borough Director for Transport and Highways

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Local Government Act 1972 (as amended)
Background papers used in the preparation of this report.

None

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Appendix A
HIGHWAY CONTRACTS
H&F

Contract Name	Contractor	Contract Duration	Contract Dates	Final date with extensions	Contract Value (per annum)	Contract Description
Paving Works	FM Conway	5 years with option for three 1year extensions	April 2009 to March 2014	March 2017	£6M	Planned and general footway maintenance. Out of hours emergency standby service
Resurfacing & Road Markings	Colas	As above	April 2010 to March 2015	March 2018	£3.1M	Planned and general carriageway maintenance. Line marking of new carriageway works as required.
Public Lighting & Ancillary Works	ETDE	As above	June 2012 to March 2015	March 2018	£1M	Public Lighting repair and renewal
Tree Maintenance	Advance Tree Services	As above	April 2011 to March 2014	March 2017	£200k	Tree maintenance of highway trees
Drainage & Gully Cleansing	Eurovia	As above	April 2009 to March 2014	March 2017	£500k	Cyclic & ad-hoc gully cleaning. Repair and renewal of road gullies and connections.

RBKC

Contract Name	Contractor	Contract Duration	Contract Dates	Final date with extensions	Contract Value (per annum)	Contract Description
Paving Works	J Murphy	5 years with option for three 1year extensions	April 2009 to March 2014	March 2017	£2.5M	Planned and general footway maintenance. Out of hours emergency standby service
Resurfacing	Eurovia	As above	April 2010 to March 2015	March 2018	£1M	Planned and general carriageway maintenance.
Public Lighting	Eurovia	As above	April 2010 to March 2015	March 2018	£1M	Public Lighting repair and renewal
Drainage	Cappagh	As above	April 2009 to March 2014	March 2017	£300k	Repair/replacement road gully and connections.
Road Markings	Eurovia	As above	April 2009 to March 2014	March 2017	£100k	Road marking maintenance
Highway Improvements	Balfour Beatty	As above	April 2010 to March 2015	March 2018	£750k	Highway improvement scheme work
Bridges & Structures	FM Conway	As above	April 2009 to March 2014	March 2017	£80k	Bridges and structures maintenance