

HAMPSHIRE COUNTY COUNCIL

Decision Report

Decision Maker:	Executive Member for Economy, Transport and Environment
Date:	9 July 2015
Title:	Procurement approval: Generation 3 Civil Engineering and Infrastructure Works Frameworks 2016-2020
Reference:	6811
Report From:	Director of Economy, Transport and Environment

Contact name: Keith Gale

Tel: 01962 847271

Email: keith.gale@hants.gov.uk

1. Executive Summary

- 1.1. The purpose of this paper is to seek approval to procure three framework arrangements to deliver the County Council's civil engineering and transport infrastructure improvement works for a period of up to four years commencing in April 2016 upon expiration of the current frameworks.
- 1.2. The frameworks will be commissioned within the following ranges, values and scope of works to provide efficient engagement with a stratified market:
 - **Framework Generation 3 - 1:** For general highway and transport improvement works, minor structural improvement works, public authority civil engineering works and associated small value construction work up to an individual project value of £450,000.
 - **Framework Generation 3 - 2:** For specialist civil engineering structural works, complex highway and transport infrastructure works, public authority civil engineering works and associated medium value construction work between the individual project values of approximately £50,000 to £10,000,000.
 - **Framework Generation 3 - 3:** For significant highway and transport infrastructure development, civil engineering works and associated major value construction work between the individual project values of approximately £8,000,000 to £25,000,000.
- 1.3. This paper seeks to:
 - Outline the background for the need for three new civil engineering frameworks to replace the two current frameworks;

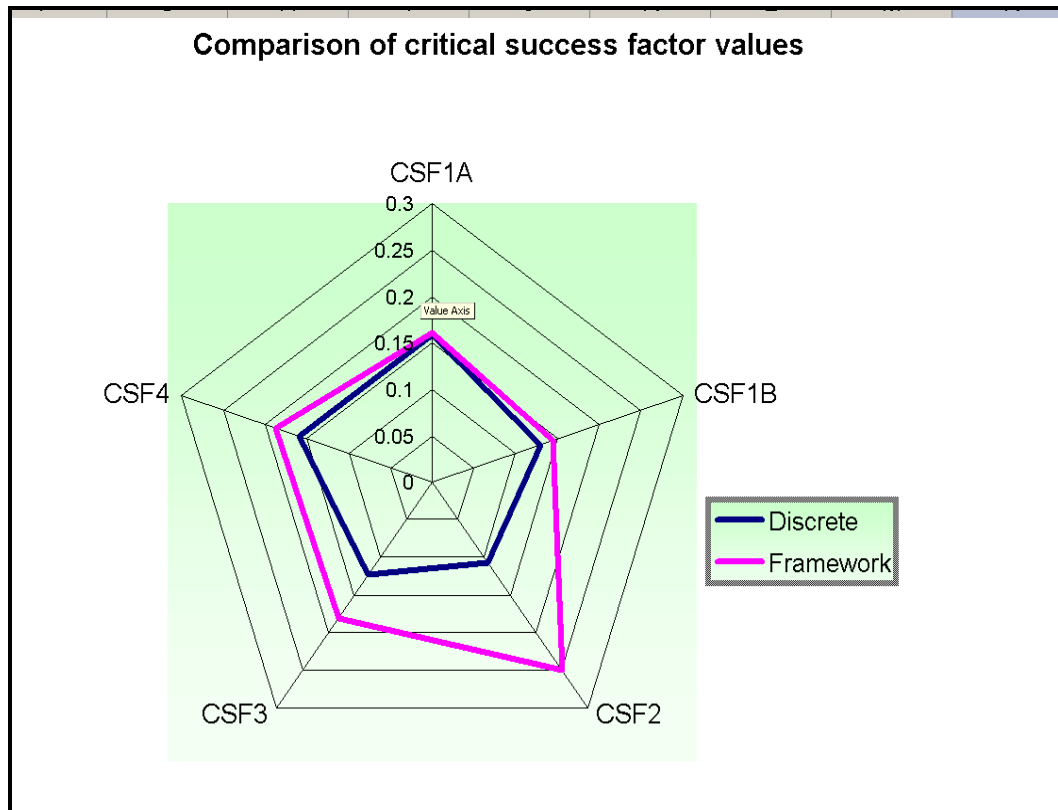
- Explain suggested project values following experience with the current framework in combination with current knowledge regarding capital growth and expansion for the future;
- Highlight the effective and efficient engagement process together with proposed performance systems in order to maintain a focus on performance of suppliers; and
- Describe proposals for other Authorities and Organisations to gain access to the procurement element of the frameworks in accordance with Traded Services objectives.

2. Contextual information

- 2.1. The County Council has a duty to maintain and improve highway and transport infrastructure within Hampshire in a safe and effective manner. In addition, the Council encourages growth to the region through infrastructure improvements with development in conjunction with other partners. Furthermore the Council seeks to improve and maintain diverse assets which require engagement of experienced civil engineering and construction contractors with delivery of such projects. In execution of this role the Economy, Transport and Environment Department, on behalf of the Council employs a number of civil engineering, highways and transport infrastructure suppliers (contractors) to construct and deliver construction projects in accordance with approved capital and revenue budgets.
- 2.2. Current arrangements for procurement and engagement of suppliers are through two frameworks which commenced in April 2012. The **Sub-Regional South East Seven Framework** is designed for infrastructure projects of a smaller and relatively straightforward nature such as traffic calming, junction improvements and the like. The framework has two lots – one specifically for use by the Council (lot 1) and the other for East Sussex County Council (lot 2). Following commencement of the framework, East Sussex County Council revised their procurement strategy which meant that only one project has been placed through lot 2. To date, 235 projects have been placed through lot 1 for a total value of around £13,000,000 with the majority being directly engaged for Hampshire County Council. A minority of projects delivered through this framework were for six District Authorities, with a mixture through agency arrangements and a District's own needs.
- 2.3. The second current framework is the **Regional South East Seven Framework** used for more complex or larger value projects. To date 40 projects have been placed through this framework, ranging from significant structural improvements (canal work, retaining walls, new construction of junctions and roundabouts etc.) with a total value of around £35,000,000. Take up by other authorities (Kent County Council, Southampton City Council, Surrey County Council and East Sussex County Council) has been reasonably successful with 9 projects for a total of around £5,000,000 of construction work being procured.
- 2.4. The current arrangements will end in March 2016 and are considered by those authorities who use them to be an effective and efficient method of engagement. Both frameworks incorporate measured key performance indicators and the results of these are used in the selection process for

award of successive projects – the suppliers being placed in zones (red, amber, green) according to performance.

- 2.5. During 2014, analysis using five critical success factors (CSF) was undertaken to determine differences in performance of projects between South East Seven frameworks and traditional engagement methods (discrete). The results are shown below diagrammatically:



CSF1A = Starting on time CSF1B = Finishing on time

CSF2 = Accuracy of payments CSF3 = Right first time

CSF4 = Health and safety inspections

- 2.6. All measured CSFs recorded higher levels of performance for projects procured through frameworks when compared with traditional discrete engagement methods.
- 2.7. It is therefore proposed that successful features used for the existing frameworks are developed and enhanced for incorporation of the next generation from April 2016.

3. Proposed arrangements

- 3.1. The current South East Seven Frameworks have allowed the Council to engage with a stratified construction market whilst fulfilling delivery of capital and revenue programmes. The frameworks were designed to specifically match market layers – with the Sub-Regional being predominantly supplied by locally based small medium enterprises (SMEs) and the Regional by

regionally based companies. Values contained in the current frameworks also reflected a period of financial austerity (formed during the latter end of 2011) where capital and revenue programmes were at a low level.

- 3.2. Since that period however political decisions at a regional and national level have encouraged spending on infrastructure as a method of seeding growth. This has transpired through the latter years of the frameworks with a substantial increase with values of projects – both in project numbers and value per project. This recent rise in capital spending is also being experienced by adjacent authorities and funding bodies alike and it is proposed the framework values are adjusted accordingly.
- 3.3. In autumn 2014, letters of inquiry were sent to adjacent authorities regarding access to the Council's next generation infrastructure frameworks to determine if there was an appetite for use by others. The proposals outlined that the Council would be the Contracting Authority but allow access for mini-competitions in return for a access contribution. Responses received indicated an interest with higher value frameworks for large capital projects but also revealed that many other authorities already had arrangements in place for low value small maintenance projects. A further round of enquiry is yet to be undertaken but strategic proposals contained in this paper are based upon views obtained to date.
- 3.4. Therefore in line with the Council's estimated future requirements and those of contacted authorities it is proposed to procure three civil engineering highways and transport infrastructure works frameworks together with revised titles to refresh and define the new approach:
 - **Generation 3 - 1:** For general highway and transport improvement works, minor structural improvement works, public authority civil engineering works and associated small value construction work up to an individual project value of £450,000.
 - **Generation 3 - 2:** For specialist civil engineering structural works, complex highway and transport infrastructure works, public authority civil engineering works and associated medium value construction work between the individual project values of approximately £50,000 to £10,000,000.
 - **Generation 3 - 3:** For significant highway and transport infrastructure development, civil engineering works and associated major value construction work between the individual project values of approximately £8,000,000 to £25,000,000.
- 3.5. The scope of the frameworks will be slightly enlarged to include all related construction works within ownership of stated authorities. This will allow access by all named authorities for all related services.
- 3.6. An access contribution is proposed for use of the Council's framework procurement and documentation by other authorities. The details are yet to be determined but will follow conventional cost recovery methods.

4. Financial considerations

- 4.1. Provision of the frameworks and inclusion of a supplier does not commit the Council to guaranteeing any minimum values of work. Although at this stage no firm commitments have been received from other authorities regarding usage, number of projects or financial values, a significant amount of interest has been received. Estimated overall values will be developed as the scope and technical details of the frameworks are progressed.
- 4.2. Any authority wishing to use the frameworks will be required to enter into an agreement which outlines roles and responsibilities (such as commercial confidentiality) and the basis upon which access contributions are charged. Participating authorities will also be invited to join a 'framework forum' in order to improve efficiencies and share knowledge of best operational practice.
- 4.3. Notwithstanding the difficulties in ascertaining usage outlined in paragraph 4.1 above, at this stage with current knowledge the estimated maximum values for each framework are:
 - **Generation 3 - 1:** Currently an overall value of £30,000,000 where Hampshire County Council will be the predominant authority but allowing access to District Authorities within the Hampshire boundary.
 - **Generation 3 - 2:** Currently an overall value of £150,000,000 where Hampshire County Council will be the predominant authority but allowing access to Regional and District Authorities.
 - **Generation 3 - 3:** Currently an overall value of £250,000,000 where Hampshire County Council will be the predominant authority but allowing access to Regional Authorities.

It must be stressed however that firm commitments regarding expenditure are very difficult to obtain as the majority of projects placed through these frameworks relate to capital programmes. These are often dependant upon political support at a regional or national level and objectives with regional development agencies.

5. Performance and commercial considerations

- 5.1. Performance with delivery of individual projects and programmes of work are the core considerations of the proposed frameworks. The current South East Seven arrangements have been extremely effective in raising overall performance levels and have placed the profile of performance in primary discussions with suppliers. Overall levels of project performance have been marked as demonstrated earlier in this paper. The use of the red, amber, green zones together with performance incentive systems has focussed suppliers in achieving positive outcomes.
- 5.2. Recognition of performance is placed at the fore with selection of suppliers onto the frameworks through a price/quality assessment model. Analysis of value with the different price selection methods has determined optimum and industry norms for the different framework contract structures. Small value frameworks use a 'pre-priced' schedule of rates which are supplemented by site specific items. As the majority of rates are for standard items, it is

suitable to expect a high ratio towards price. Conversely, larger value projects have a much wider variance in specifications, restrictions, locations and therefore prices. Therefore the larger value frameworks can utilise a higher ratio of quality element for selection onto the framework because price is determined at mini-competition stage.

- 5.3. Following analysis from existing frameworks and in conjunction with other contracts for the construction sector, it is therefore proposed that Generation 3 -1 applies a price/quality ratio of 70/30 at framework assessment stage and the larger value frameworks (Generation 3 -2 and 3 -3) use a 60/40 price/quality assessment.
- 5.4. Suppliers to all frameworks comprise a certain technical class. Although many contractors are capable of undertaking a myriad of different projects, suppliers that are successfully incorporated into these frameworks will have to demonstrate safe approaches to construction within live highway situations, extensive traffic management procedures, awareness of ecological and environmental issues and the like. In addition, the effect such projects have upon interested parties needs to be recognised by our suppliers. These aspects which translate into critical success factors for projects will form part of the quality assessment analysis.

6. Other key issues

- 6.1. In addition to effective procurement of suppliers to undertake delivery of infrastructure projects, the 'next generation' frameworks also provides ability for the Council to assist other authorities with delivery of their capital programmes. Involvement of the Council as a facilitator provides further opportunities to trade technical services and enhances the Council's reputation with professional standards and expertise within the highways and transport sector.
- 6.2. The frameworks will seek to build a strong and resilient supply chain, subject to commitment from funding bodies, with emphasis following objectives set out by the HM Government Industrial Strategy: government and industry in partnership *Construction 2025*.

7. Recommendations

- 7.1. That approval be given to procure three framework arrangements to deliver the County Council's civil engineering, highways and transport infrastructure improvement works for a period of up to four years duration.
- 7.2. That access by other authorities to the frameworks be given in return for a contribution as appropriate and subject to arrangement agreements.
- 7.3. That a ratio for price and quality be applied in tender evaluation of the items approved and at the proposed values contained in this paper.
- 7.4. That a performance management system be included within the mini-competition selection process to ensure high standards of contract performance is encouraged.

- 7.5. That the Director of Economy, Transport and Environment be given delegated authority to agree any variations to the items approved, in consultation with the Executive Member for Economy, Transport and Environment.

Rpt/6634/KG

CORPORATE OR LEGAL INFORMATION:**Links to the Corporate Strategy**

Hampshire safer and more secure for all:	yes
By ensuring infrastructure development is constructed to the appropriate nationally approved technical standards and to the appropriate life cycle standards	
Maximising well-being:	yes
Construction using considerate methods in consultation with interested parties	
Enhancing our quality of place:	yes
Provide suitably sourced materials and resources in accordance with environmental standards with longevity	

Other Significant Links

Links to previous Member decisions:		
<u>Title</u> None	<u>Reference</u>	<u>Date</u>
Direct links to specific legislation or Government Directives		
<u>Title</u> HM Government Industrial Strategy: government and industry in partnership <i>Construction 2025</i> .		<u>Date</u> July 2013

Section 100 D - Local Government Act 1972 - background documents

The following documents discuss facts or matters on which this report, or an important part of it, is based and have been relied upon to a material extent in the preparation of this report. (NB: the list excludes published works and any documents which disclose exempt or confidential information as defined in the Act.)

<u>Document</u>	<u>Location</u>
None	

IMPACT ASSESSMENTS:

1. Equality Duty

1.1. The County Council has a duty under Section 149 of the Equality Act 2010 ('the Act') to have due regard in the exercise of its functions to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act;
- Advance equality of opportunity between persons who share a relevant protected characteristic (age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation) and those who do not share it;
- Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Due regard in this context involves having due regard in particular to:

- (a) The need to remove or minimise disadvantages suffered by persons sharing a relevant characteristic connected to that characteristic;
- (b) Take steps to meet the needs of persons sharing a relevant protected characteristic different from the needs of persons who do not share it;
- (c) Encourage persons sharing a relevant protected characteristic to participate in public life or in any other activity which participation by such persons is disproportionately low.

1.2. Equalities Impact Assessment:

Equality Statement number EIA 515043 has been completed. This decision has no impact on groups with protected characteristics because all contract documentation will include clauses for the Council's equalities policies, procedures and standards. Suppliers will have to comply with these at all times – and all competition packages will also include these clauses. Individual schemes delivered through the frameworks will be subject to their own equality impact assessments.

2. Impact on Crime and Disorder:

2.1. Projects constructed through the frameworks will be to approved departmental and national standards for highways, infrastructure and civil engineering works.

3. Climate Change:

3.1. How does what is being proposed impact on our carbon footprint / energy consumption?

Effective and efficient engagement of suitable contractors and suppliers helps minimise waste, remedial work and mistakes due to understanding and relationships between employers and constructors.

3.2. How does what is being proposed consider the need to adapt to climate change, and be resilient to its longer term impacts?

Incorporation of resilient materials and best practice construction methods ensures high standards are maintained making finished projects more durable and long lasting.