

Appendix 5

Date of Meeting:	31 st March 2013
Subject:	Highways Construction Contract
Key Decision:	No [Affects all wards in the borough]
Responsible Officer:	Caroline Bruce, Corporate Director Community and Environment
Portfolio Holder:	Councillor Phillip O'Dell, Portfolio Holder for Environment and Community Safety
Exempt:	No
Decision subject to Call-in:	No
Enclosures:	Appendix 1 – Governance Structure – Highways Contract

Summary and Recommendations

This report outlines the new contracting arrangements with May Gurney Ltd (MG) for the delivery of all the council's highway works and its first year of engagement.

Cabinet approved the award of the contract in December 2011 following a 2-stage restricted procurement procedure process. The contract was tendered as three separate LOTS. All three LOTS were won by May Gurney and therefore consolidated, thus realising the offered 3% cost reduction. The one contract was then finalised and consequently agreed and signed in late January 2012.

The contract started on the 1st April 2012 with a service period of five years which may be extended for a further two years.

The contract based on the NEC3/A form of contract has required significant changes both in procedures and process to operate. Existing processes needed to be re-engineered and new ones introduced and agreed with MG, aligning with the NEC framework ahead of any projects being undertaken.

Mobilisation commenced during March continuing through April to establish a solid foundation on which to develop the contract arrangements and to ensure a smooth works transition particularly for responsive maintenance, where service continuity is paramount.

Risk is managed through three levels of the contract governance model - Operational, Contract and Contract Board – with key officers from Harrow, MG and members at Contract Broad level

A KPI hand book co-produced cataloguing all contract performance indicators, targets, ownership and data collection methods was agreed at mobilisation stage. Although a three month KPI bedding-in period formed part of the contract, the KPI's have been achieved to target for the first year.

The 2012/13 programme value approached £11m and included extensive works for highways, street lighting, flood prevention, TfL and Public Realm programmes. Revenue budgets for reactive and day to day maintenance exceeded £2 m and included such items as pothole and trip repairs, gulley clearance, winter service and lighting maintenance.

The contract is available for use Council-wide and approximately £500,000 of works was commissioned by a number of internal council clients.

Resident satisfaction surveys undertaken on larger projects showed overwhelmingly positive results with satisfaction score of 98%.

There have been no reportable accidents / incidents in the first year of the contract.

There are no recommendations in the report; it has been prepared for information and discussion purposes.

1) Introduction and Background

The process to find suitable supplier/s to ensure service delivery continuity of all of the Council's highway works began in March 2011 following Cabinet approval. Procurement was conducted fully in compliance with the public procurement regulations. Expressions of Interest were sought and evaluated with selected suppliers invited to tender. This was followed by the Council's 2-stage restricted procedure process for quality and price, with the latter only being considered after the threshold for quality had been met. Full project governance was established in accordance with Harrow's project management guidelines. A contract Board Team successfully delivered the project and Cabinet approved the award of the contract in December 2011 following a 2-stage restricted procurement procedure process.

The contract was tendered in three separate LOTS (Lot 1 – Civils, Lot 2 – Street lighting Maintenance and Improvement service including signs, Lot 3 – surfacing). All three tendered works/lots were won by May Gurney Ltd and therefore all three Lots were consolidated, thus realising the offered 3% cost reduction. A single contract, with a service period of five years with a possible extension for a further two years was consequently agreed and signed in late January 2012.

Mobilisation commenced during March continuing through April to establish a solid foundation on which to develop the contract arrangements and to ensure a smooth works transition particularly for responsive maintenance, where service continuity was paramount.

Adoption of the NEC3 contract framework provided significantly reduced costs but has also presented internal challenges in managing the contract. Process driven, the contract has required the adoption of numerous new procedures that ensure efficiency, clear communication and allocation of risk and probity by channelling all contact through a one point, the Contract Team. A critical element of the procurement process was the allowance in the contract cost savings to invest in strengthening the existing Contract Team with staff that possessed significant contract management experience. This will be further consolidated in the coming year through the organisational changes currently taking place in the Directorate.

2) Contract Governance

As with any contract, it is essential that clear governance is in place to oversee and ensure compliance, probity, efficiency and continued value for money for the Council.

Following a period of consultation, the structure for contract governance was established in principle and key meeting cycles established. At the core is the Operational Management Team with representation from both Harrow and May Gurney key officers the feature in most groups.

Terms of reference were established for all groups including the Contract Board which is the ultimate decision body for this contract including escalations and resolution. A governance structure is attached in Appendix 1.

3) Risk Management

Effective risk management is an essential element of this contract, recognised as such through the NEC3 Conditions of Contract and has been addressed through the approach described below;

Risk is managed at three levels through the contract governance model outlined above - Operational, Contract and Board level;

Operational risk – A detailed register has been developed and established, with management through the Operational Management Team and reviewed monthly.

Contract risk – A detailed register capturing contract risks is part of the monthly joint Contract Management Team meetings and on the agenda for development and review.

Strategic (Contract Board) risk – The board meets quarterly and all escalated risks are reviewed at its highest level in terms of contract continuity from both contractor and council perspectives.

The register captures risk in five areas; Programme and Project Management, Design and Consultation, Implementation, Environment and Operations with individual risks identified within each area.

The key 'red/amber' risks within these areas relate to insufficient budgets and resources to deliver both planned/programmed projects and the service needs to continue maintaining the highway network. This is indicative of the current economic climate and the organisation changes taking place in the Directorate.

4) Performance

Key performance Indicators (KPI's)

A KPI hand book co-produced which catalogues all contract performance indicators, targets, ownership and data collection methods was agreed at mobilisation stage.

KPI's are recorded on a monthly basis and reviewed jointly at progress meetings. Each quarter a Performance Review Period is undertaken and at the end of each Performance Review Period, a consolidation of the Interim Performance Assessments is concluded and forms the basis of the any payment deduction if applicable.

Monthly returns are being used to ensure that targets are being achieved and that the measurement mechanism works for both sides

A three month KPI bedding-in period formed part of the contract arrangements to allow bedding in by the contractor and to establish the required supply chain partners. Therefore no penalties were invoked for the first quarter, although data was compiled.

As expected, performance during the initial start-up phase was indifferent, although progressive improvements were made during May and June.

The overall performance target percentages on LOT 1 – Civils, have been achieved throughout the first year target agreed. However there have been operational clarification issues on responsive maintenance and gully cleansing that have resulted in lower monthly performance reporting in some months. This is common on these types of works due to the reactive nature. However these will be resolved going forward into the second year of the contract.

LOT 2 – Street lighting Maintenance and Improvement service including signs, has consistently met the performance targets even during the “bedding in” period.

LOT 3 - Surfacing, there are no specific performance targets for this LOT other than the shared KPI’s (Completed to agreed Programme, Site housekeeping and Workmanship quality, Customer satisfaction). The performance reporting shows that targets are being met.

There are four Contract specific KPI’s, which are only reported as action and events arise - Two of these, Implementation of Equality & Anti Discrimination plan, Implementation of targeted recruitment Implementation hasn’t necessitated reporting to date. However the other two, Supply Chain Management Plan and Compliance with Considerate Constructors Scheme are currently in development and the subject of full agreements to be in place for the second year of the contract.

5) Finance

It has been a challenging year for delivery of a substantial capital programme and reduced revenue budgets. The programme value approached £11m and includes extensive works for highways, street lighting, flood prevention, TfL and Public Realm programmes.

Furthermore, regeneration of Harrow’s town centre provided additional challenge.

Several schemes from the last quarter of 2011/12 were also deferred to this year to fully realise the cost benefits of the new contract.

Revenue budgets for reactive and day to day maintenance exceeded £2m, most of which was delivered by May Gurney and included such items as pothole and trip repairs, gully clearance, winter service and lighting maintenance.

Much was done during mobilisation and the contract start up period, with many processes and procedures being established and agreed, The TUPE process and establishment of the supply chain took time, both resulting in a slower start to the planned works programme than expected. The time was well spent in building a firm contract foundation upon which to function successfully for the next five to seven years and further work is being undertaken jointly to benefit both parties.

As a consequence of the slow initial start-up, spend forecasts had to be re profiled, works programmes for the year agreed and resources planned to deliver the full capital and revenue programmes.

A Clause 21 programme, known as the Global programme for all works proposed for the 2012/13 financial year was established and new works added as they came on stream. Programme priorities were reviewed on a monthly basis to reduce risk and to enable continuity of works.

LOT 1 – Civils

With the competitive rates achieved through the procurement of the contract, this has enabled an increase in the level of works ordered compared to the previous year 2011/12.

<u>Capital Budget</u>	<u>2011/12</u>	<u>2012/13</u>
Footway schemes	14	55
Total cost (£)	1,621,430	2,809,374
Transport & TFL schemes	40	44
Cost	770,000	600,000

Last financial year (2011/12) 14 footway reconstruction schemes were undertaken using Capital funding of £1,621,430 whereas during the current year we have carried out 55 medium to large schemes totalling £2,809,374 thus giving a large financial benefit, and the ability to improve more of the highway network.

Revenue Maintenance Budget	2011/12	2012/13		
	budget	budget	Change	%
Highway responsive maintenance	1,230,120	1,076,722	-153,398	12%
Highway maintenance	295,892	204,166	-91,726	31%
Drainage	286,243	185,725	-100,518	35%
Street Lighting	798,124	497,649	-300,475	38%
Structures	98,471	67,792	-30,679	31%
Winter maintenance	198,386	241,646	+43,260	18%
Total (£)	2,907,236	2,273,700	633,086	22%

The financial benefits on revenue maintenance budgets resulted in a 22% reduction which was offered up as budget saving at the beginning this year 2012/13.

LOT 2 – Street lighting Maintenance and Improvement service including signs,

May Gurney have responded well to the 'Maintain in Lighting', specification (scouting for illumination and subsequent fault repairs), achieving a good response rate with most standard repairs completed within the 1 working day performance criteria.

The Planned Maintenance (bulk cleaning/lamp replacement and electrical testing) activities were however delayed due to mobilisation but have now been completed as programmed for this year.

Ad-Hoc maintenance and accident remedial works have been completed within set performance timescales. There have been issues with underground electrical cable transfer service or new service connection element due to third party network providers. May Gurney (Cartledge) have now been licensed as an approved Independent Connection Provider (ICP) within the Harrow Council geographic area, which has previously been dominated by the local Distribution Network Operator (DNO), UK Power Networks (UKPN) monopoly and therefore the delays in connections should improve going forward.

Street lighting capital funding has been used to improve the current lighting stock in the borough and to gain potential energy savings for the future. The competitiveness of the contract has enabled more designs and replacement of 608 old concrete columns which were coming to the end of their design life. With May Gurney (Cartledge) being approved as an Independent Connection Provider (ICP), this has reduced the connections cost and enabled more control over the completion of schemes which were previously reliant on UKPNs timescales. New designs that use LED lighting have also provided lower energy consumption per unit and therefore a reduction in lighting levels of 4% to meet our agreed target in line with the climate change agenda will be achieved. Therefore an extensive concrete column replacement programme, with 33 schemes implemented this year will continue over the course of the next few years depending on capital budgets being available.

LOT 3 – Surfacing

<u>Capital Budget</u>	<u>2011/12</u>	<u>2012/13</u>
Carriageway schemes	28	68
Total cost (£)	1,556,000	1,987,000

Significantly more of the carriageway network has been resurfaced this year compared to previous years.

6) Internal Stakeholder Awareness & Support

This contract is available for use Council-wide and a number of internal council clients were identified and invited to a detailed briefing session early in June. This provided a good opportunity to introduce the contract, provide background on how it was established together with the range of services available and the great potential value it afforded Harrow.

Detailed guidance was provided on commissioning works via the Contract Team and information on the range of services and use of the other framework agreements was also provided.

To further help internal clients with the process, basic Service Level Agreements were agreed, clearly defining the minimum requirements and standards required of each party. An SLA was established with the

Transportation section for delivery of the TFL programme and approximately £400,000 of work has been programmed and delivered using this agreement. Additional works have been programmed and delivered for a number of internal clients, - Parks - £66,000, Education - £14,000, Civic & Premises - £76,000 Leisure - £12,000 and Others - £35,000

7) Customer communications, complaints, etc

In advance of all planned works, residents have been informed by leaflet detailing the reasons behind the works, what it will entail, duration and where applicable, the opportunity to apply for a vehicle crossing to avoid future need to disrupt the highway network. On completion of larger projects, residents were sent a pre-paid survey providing an opportunity for feedback and service improvement going forwards.

Resident satisfaction surveys undertaken showed with returns being overwhelmingly positive, resulting in a 98% KPI satisfaction score. This good performance has been reinforced throughout the year with a record number of compliments received from residents and members who have written in to commend in particular, the quality of workmanship and the conduct and helpfulness of the operatives.

A customer log has been established by May Gurney to record queries, compliments, complaints and resolution where it applies. Complaints are reportable to Harrow Engineering Services, together with information on resolution, whether upheld, etc. This forms part of the wider council strategy on managing complaints and customer contact and is reportable each quarter. There are no significant figures to report other than that the majority are service request for works rather than specific complaints.

May Gurney are eager to understand and review the relationship between the highways service and customer-facing teams with a view to reducing officer time in responding to customer queries through provision of better customer-focussed information.

A cornerstone of the NEC3 contract is the emphasis on good communication and relationships between all parties including the supply chain provider. Harrow's Contract Team have established a new set of office protocols where all client / contractor communications are documented and recorded via an exclusive contract email account. Going forward, Sharepoint, a document management system to facilitate communication will be introduced to enable both parties to exchange "real time" information and documents.

8) Health & Safety

There have been no reportable accidents / incidents in the first year of the contract with May Gurney.

Health and Safety requirements relating to Construction Design and Management (CDM 2007) require that both Harrow and May Gurney ensure full compliance. To fulfil the wider role of co-ordinator (CDMC) on notifiable projects, WSP Group Ltd have been appointed to fulfil legal obligations under CDM regulations on an as needs basis.

May Gurney have registered the contract operations with the national Considerate Contractor scheme and is a sites specific arrangement, which is common practise for contracts of this type, with sample sites assessed independently throughout the Service period.

9) Financial Implications

There are no specific financial implications with this report, other than the general comment that the whole of the procurement activity and the delivery of the Highway works is focused on improving both the effectiveness of the Council's spend as well as the efficiency of the process.

10) Performance Issues

As highlighted above, a set of performance indicators to measure the effectiveness of the contract are in place and performance targets will be reviewed and define throughout the service period.

11) Environmental Impact

The works undertaken through this contract support the Council's Sustainable community Strategy 2009 – 2011 section "An improving Environment" This Policy is based around social, economic and environmental considerations being included in all our works. This Policy is being increasingly, and successfully, adopted.

12) Risk Management Implications

None in this report.

13) Equalities implications

None specifically in this report

Contact Details and Background Papers

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Appendix 1 – Governance Structure – Highways Contract

Governance Structure – Highways Contract

