

DERBYSHIRE COUNTY COUNCIL
CABINET MEETING

5 April 2016

Report of the Strategic Director – Economy, Transport and Environment

**SCAPE NATIONAL PROCUREMENT FRAMEWORKS
(HIGHWAYS, TRANSPORT AND INFRASTRUCTURE)**

(1) **Purpose of the Report** To seek Cabinet approval, under Protocol 2 of the County Council's Financial Regulations, to the County Council's use of the Scape national procurement framework for the delivery of highways maintenance programmes and individual projects, to delegate authority to the Strategic Director – Economy, Transport and Environment in consultation with the Cabinet Member – Highways, Transport and Environment to award contracts under the framework for jet patching and surface dressing for the 2016-17 surface dressing season.

(2) **Information and Analysis**

Background

The County Council is responsible for the maintenance of around 3,500 miles of public roads and a similar length of associated footway. Over 1,000 highway structures and around 600 miles of retaining wall support this network which is lit by around 96,000 street lights. Signs, safety fencing and other assets make up the rest of the network.

The proper maintenance of these assets is essential for the safety of the public using the network, and an efficient network underpins the County's economic and social wellbeing. However, the pressure on the Authority from reductions to revenue budgets means that seeking efficiencies in maintenance techniques and procurement is vitally important if the network is not to deteriorate to the point where safety and operation are compromised.

Business Need

The majority of the services needed to maintain the network are provided by the County Council's in-house design and construction arm. However, for many years, additional services have been bought in to supplement the in-house teams where capacity issues or specialist suppliers have been necessary.

In the past, construction and maintenance services have been provided through individual tendered contracts, although design services have been supplied through the Midlands Highways Alliance's Professional Services Partnership PSP2. The traditional individual tender methodology for construction services, whilst tried and tested, is being gradually replaced nationally with frameworks that are more flexible and offer better value for money.

Local Transport Plan capital funding, which now represents the majority of maintenance funds since revenue has been severely cut back, is incentivised by Government to favour the principles of asset management. Failure to demonstrate these principles will mean the Authority will lose a significant proportion of its funding, equivalent to almost one year's worth of capital over a five year period. A key area for improvement in this area is the adoption of improved procurement methods and supply chain working, and frameworks offer a mechanism to realise these benefits.

Revenue budgets continue to pay for the day-to-day maintenance activities on the County's roads, including potholes and minor defect repairs. As maintenance funding has decreased over the years, the condition of the asset has deteriorated to the point where the revenue funding available cannot keep on top of the demands on the service. The Authority is, therefore, in the midst of a major £23 million programme of preventative works called the Accelerated Highways Maintenance programme that is intended to extend the life of roads and reduce the need for reactive maintenance.

The key technique in this programme is surface dressing, a method of sealing the surface of the road to restore skidding resistance and prevent water ingress that would ultimately cause the failure of the road itself. Any defects are patched with new material before a surface of tar and chippings is applied to provide the running surface. Patching is usually carried out at least six months before and the majority of patching for the 2016-17 surface dressing programme was carried out in the summer of 2015.

Around £8 million of surface dressing is planned for 2016-17 and the majority of the work will be delivered in-house. However, there is a need to supplement in-house capacity with external surface dressing resources and jet patching specialist services.

Scape Frameworks

Scape offers all public bodies in the United Kingdom access to six different procurement frameworks across the built environment. Already around half of local authorities and nearly two thirds of Police Forces procure building and construction services through the Scape frameworks. Derbyshire County Council is a shareholder and a founder member of Scape.

The frameworks are all Official Journal of the European Union (OJEU) compliant.

The Scape Civil Engineering and Infrastructure Framework, from which the jet patching and surface dressing contracts will be procured, will be managed by Balfour Beatty using approved suppliers, who will tender for the works to ensure that value for money is achieved.

The use of the NEC3 suite of contracts ensures that clients and suppliers work in partnership, with transparency and visibility of prices and processes being paramount. The frameworks are performance-managed in order to reduce risks and to provide significant time and cost savings; across the board, Scape claims 95% of projects are delivered on time and 99% within budget.

In addition, Scape's frameworks are committed to extensive use of local suppliers, ensuring that a significant proportion of project spend finds its way back into the local economy. The frameworks incentivise local investment, offer upskilling and training support, fair and prompt payment and the use of small and medium enterprises.

Civil Engineering and Infrastructure Framework

Of particular interest to the County Council's Highways Service is the Scape Civil Engineering and Infrastructure framework. Whilst much of the Local Transport Plan programme is delivered using the in-house service, the demands of the Accelerated Highways Maintenance programme means that additional capacity, in the form of surface dressing and jet patching, are necessary to meet the short summer window available. It is expected that up to £1 million of jet patching and £1.5 million of surface dressing will be needed to support the 2016-17 programmes of work. The use of Scape to procure this top-up service will provide useful benchmarking data to measure the efficiency of the in-house operation, together with the opportunity to learn best practice to improve the in-house service.

In future, the framework might also provide an efficient procurement route for D2N2 (Derby, Derbyshire, Nottingham and Nottinghamshire) funded projects where early contractor involvement on the design process can reduce timescales and construction costs. This may prove to be a more cost effective alternative to the proposals to develop a term maintenance framework contract using the Midlands Highways Alliance, as reported to Cabinet in 2015 (Minute No. 307/15 refers), and will be investigated further. A subsequent report will be brought to Cabinet if appropriate.

The framework is operated using open book principles, meaning that the County Council can scrutinise all tenders, prices and other information associated with the work packages. Value for money is achieved through competitive tendering with a minimum of three suppliers or sub-contractors, and the choice of supply chain will be agreed by the County Council. Scape's

performance indicators measure the proximity of suppliers, sub-contractors and staff to the works, ensuring as much spend as possible is invested locally.

The work will be managed and delivered by Balfour Beatty on behalf of Scape. The County Council will pay overhead fees to Balfour Beatty, which are usually 2.5% of the contract price and a further 9% for management fees. Because of the relative lack of complexity of the jet patching and surface dressing work, it is likely that these fees will be considerably reduced. In addition, a further 0.25% fee will be paid to Scape to cover framework management costs; this includes a 50% discount because of the County Council's shareholder status.

The value of the framework over its four years is estimated to be in the region of £1.5 billion, and it is this buying power that helps to realise local efficiencies and savings. The work covered is wide-ranging, including programmes of work and one-off projects from just under £1 million in value to £40+ million.

Frameworks are effective because the packaging of projects into programmes of work offers suppliers continuity of work and provides an increased opportunity for standardisation, innovation and delivery of sustainable outcomes. Having the opportunity to package works could provide the County Council with efficiency gains in relation to cost savings and resource efficiencies.

It is, therefore, recommended that the County Council uses the Scape framework to deliver highways maintenance programmes and individual projects. The first contract using the framework would be to deliver the jet patching and surface dressing works as outlined above. Should other projects or programmes be proposed for delivery using the framework, further reports will be brought to Cabinet.

The award of contracts for surface dressing and jet patching using the Framework Agreement would need to take place by April 2016 in order for works to be completed by the end of August 2016. This work is temperature and weather dependent, so it is essential that work commences within this time-frame. Therefore, it is recommended that the award of contracts under the framework be delegated to the Strategic Director – Economy, Transport and Environment in consultation with the Cabinet Member – Highways, Transport and Environment, as there would be insufficient time to submit a further report to Cabinet if the jet patching and surface dressing works are to commence in April 2016.

(3) Financial Considerations The Scape framework is compliant with EU procurement legislation. The Scape Civil Engineering and Infrastructure Framework was awarded in compliance with the EU Public Procurement regulations, following publication of a Contract Notice in the OJEU.

The expenditure via the use of the Scape framework will be up to £1 million for jet patching and £1.5 million for surface dressing. This will include the fees associated with the use of the framework.

Any expenditure utilising this contract could be contained within existing Local Transport Plan and Accelerated Highways Maintenance budgets.

The Strategic Director – Economy, Transport and Environment has prepared a business case which has been approved by the Director of Finance and the Director of Legal Services.

(4) **Legal Considerations** To enable the County Council to utilise this Framework, the Authority will have to enter into an Access Agreement with Scape. Call offs under the framework will be dealt with by way of a mini-competition.

The use of a non-Derbyshire County Council framework, under Protocol 2 of the County Council's Financial Regulations, is a two stage process; approval is required from Cabinet firstly to use the framework and secondly to make an award of contract under the framework. It is, however, considered appropriate in the circumstance referred to in the report for the award of contracts relating to jet patching and surface dressing to be delegated to the Strategic Director – Economy, Transport and Environment, in consultation with the Cabinet Member – Highways, Transport and Infrastructure.

(5) **Environmental and Health Considerations** The Scape framework uses an extensive local supply network, meaning that the local economy benefits from the County Council's investment in infrastructure. In addition, the framework actively promotes social benefits from the expenditure and has a track record of providing local employment and apprenticeship opportunities.

In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, equality and diversity, human resources, property and transport considerations.

(6) **Key Decision** Yes.

(7) **Call-In** Is it required that call-in be waived in respect of the decisions proposed in the report? No.

(8) **Background Papers** Held on file within the Economy, Transport and Environment Department. Officer contact details – Geoff Pickford, extension 38194.

- (9) **OFFICER'S RECOMMENDATIONS** That Cabinet:
- 9.1 Approves, under Protocol 2 of the Council's Financial Regulations, the County Council use of the Scape Civil Engineering and Infrastructure framework.
 - 9.2 Agrees to delegate authority to the Strategic Director – Economy, Transport and Environment, in consultation with the Cabinet Member – Highways, Transport and Infrastructure, for the award of contracts for jet patching and surface dressing for the 2016-17 surface dressing season.
 - 9.3 Notes that officers will undertake further investigation of the use of the framework for other projects, where appropriate.

Mike Ashworth
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