

Report title: Sourcing Strategy for Major Schemes – Eastern Highways Alliance	
Report to: Councillor Kevin Bentley, Deputy Leader and Cabinet Member for Infrastructure	
Report author: Paul Crick, Director for Capital Investment and Delivery	
Date: 11 th December 2019	For: Decision
Enquiries to: Enquiries to: Ben Finlayson, Head of Infrastructure Delivery, email ben.finlayson@essex.gov.uk	
County Divisions affected: All Essex	

1. Purpose of Report

- 1.1 Following the decision taken at Cabinet on the 23rd July 2019 (FP/400/03/19) for the re-procurement of the Eastern Highways Framework 3, this report seeks approval by the Deputy Leader and Cabinet Member for Infrastructure relating to matters as delegated by Cabinet.

2. Recommendations

- 2.1 Agree that the procurement for the Eastern Highways Alliance Framework 3 shall contain three Lots as follows:
- a. Lot 1: £0 - £2,000,000
 - b. Lot 2: £1,500,000 - £7,000,000
 - c. Lot 3: £5,000,000 - £30,000,000 and over
- 2.2 Agree that the proposed evaluation methodology is set as out in Appendix A to this report.

3. Summary of issue

About the Alliance

- 3.1 ECC is a founding member of the Eastern Highways Alliance which was established in 2012 and is a formal collaboration between eleven local authorities across the East of England. Current Alliance members are listed in Appendix 2. The purpose of the Alliance is to share know-how, achieve best value through leveraging combined spending power with resulting economies of scale and to further support and embed partnership working across the member authorities.

About the Current Framework

- 3.2 The existing framework was procured by Cambridgeshire County Council in 2016 on behalf of the Alliance members. ECC has been the principal user of this

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framework, with seven major schemes delivered to date and four more that it is presently considering calling off under the existing framework.

These eleven schemes have a total value of £21.5 million. The current framework expires on 31 March 2020 and no new schemes can be awarded after that date, although schemes awarded prior to 31 March 2020 can continue to be delivered.

3.3 ECC undertook a recent review of the use of the current framework and membership of the Alliance and identified that:

- It is used by ECC for capital delivery programmes.
- Remaining a member of the Alliance helps ECC to secure additional/external funding opportunities by enabling it to demonstrate evidence of partnership working.
- ECC benefits from sharing best practice and being able to identify common issues with a wide network to help resolve them.
- ECC benefits from the vast amount of training available through the Alliance that aids the work being undertaken within the Infrastructure Delivery team.

3.4 The Alliance provides evidence of partnership working which is often requested when we submit bids for external funding, particularly for cross-border schemes. ECC has also been the main user of the current framework to call off its requirements and so has benefited greatly from having an efficient and compliant route to market.

Lots

3.5 The existing framework is set up with 2 lots and these are described as follows:

- Lot 1: £0 - £1,500,000
- Lot 2: £1,000,000 - £20,000,000 and over

3.6 The lots on the existing framework were aligned to the historic programme from April 2016 until March 2020 and it is intended to have a third lot in in new framework to encourage wider use the framework and allow accurate grouping of works values.

Evaluation methodology

3.7 The existing framework evaluation criteria is based on a 60:40 price to quality split when contractors are appointed to the existing framework and also for the individual call off of contracts from the framework however this can change dependant on the Authority.

About the new framework

Proposed New Lots

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3.8 The projected programme for 2020 until 2024 indicates a change in how the proportion of works are delivered through the new framework. This change is due to Authorities available funding and requirements over the next 4 years with the majority of work evenly split between the 3 lots value indicated below. Therefore, the change in the value and number of lots is to ensure the successful bidders are able to deliver the works for those values as indicated within a lot. The cross over of the lots also ensures that Authorities have the option to open the call-offs to both lots i.e. lot 1 and lot 2 or lot 2 and lot 3 and this will aid more competition across the market with the aim to bring better value across the framework. The proposed lots on the new framework are as follows:

Lot 1: £0 - £2,000,000

Lot 2: £1,500,000 - £7,000,000

Lot 3: £5,000,000 - £30,000,000 and over

3.9 It is hoped that the number of successful contractors will allow for a maximum of 3 to 4 contractors per lot. Contractors will be allowed to bid for either a minimum of 1 lot or a maximum of 2 lots for assessment onto the new framework.

3.10 At individual call off stage Lots 1 and 2 will have the option for direct award for Early Contractor Engagement and mini competition for works with Lot 3 only allowing mini competition.

3.11 The overall estimated value of the current Alliance members requirements is in the region of £310-£400 million. It is estimated that ECC could spend around £50 million on the framework over its lifetime. Therefore, the lots have been determined from the overall projected programme and the split of the proposed schemes over the next 4 years from April 2020.

3.12 Consideration was given across the Alliance to the following in order to reach an agreement:

- Projected programme and the impact to the market over the next 4 years
- Implications to the market of the changes to the values and number of lots to allow a wide range of bidders/interest to the initial framework and over the next 4 years
- Consideration given across the Alliance to ensure the framework remains competitive throughout the next 4 years in order to achieve best value
- Flexibility of the framework to allow Authorities the option of using this type of framework to deliver their schemes
- How the use of the call off stage for mini comp and direct award are best utilised across the lots.

Proposed Evaluation methodology

3.13 For appointing new contractors to the new framework the evaluation criteria is based on a 60:40 price to quality split (as agreed by cabinet in July 2019) and

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adjusted at call off stage to suit each of the Alliance members individual requirements.

- 3.14 The price will be assessed against a robust pricing evaluation model that will collate and assess the data supplied from Contractors for both direct award and for mini competition to then be awarded onto the framework.
- 3.15 As referenced within the cabinet report FP/400/03/19 qualitative aspect will be assessed via the two stage restrictive process that incorporates both the procurement requirements and the client specific questions.
- 3.16 The evaluation methodology for the award of individual call off contracts from the framework will be determined dependant if using direct award or mini competition.
- 3.17 If direct award is the preferred option for individual call off contracts by the Authority, then the rates applied at the procurement stage for the scheme delivery would be used and the quality aspect is already determined via the initial tender.
- 3.18 If mini competition is used for individual call offs, then the pricing is benchmarked against those submitted at the initial tender stage and the quality is assessed against an agreed matrix of questions as determined by the Alliance. The quality questions chosen from the matrix would therefore be weighted in accordance with the Authority's own requirements.

Proposal

- 3.19 The approach of the proposed 3 lots provides greater opportunity to seek the most competent contractors to the framework and increase the competition of the works across the framework. Along with the ability to flex the use of the lots if required by the authority.
- 3.20 The proposed evaluation criteria provide a robust mechanism to assess both price and quality for appointing new contractors to the framework. With the flexibility of the call off stage for the quality assessment along with the effective use of the benchmarked/pre-populated pricing matrix.

4. Options

The options considered for the lots were as follows:

Option 1: Keep the lots the same as the current framework

- 4.1 For the current lots to remain within the existing framework this could impact on the delivery of the works/schemes due to the successful bidders not being aligned to the correct lots to deliver the works that their business could fulfil.

Each individual Authority within the alliance has their own set of requirements from the Alliance, there is a risk that the current lots wouldn't achieve the needs of each Authority, as such works would not be undertaken through the framework.

Option 2: Proposed new lots (recommended option)

- 4.2 Set up the proposed lots to align to the projected programme of work from 2020 until 2024. This would ensure the successful bidders were aligned to their correct value of works to be delivered and the Alliance has assurances that the requirements of all the Authorities are being met. By using this type of approach to lots it also provides some assurances that the successful bidders would be more competitive and help to achieve best value for the framework.

Option 3: No lots

- 4.3 This would mean a framework contract with no lots and the programme would be put out to tender to all successful bidders on the framework. The framework is set up for maintenance and scheme delivery with a wide variety of type of work undertaken, each Authority within the Alliance also has differing requirements. Therefore a 'no lots' approach would not provide a structure to how the works would be tendered and the bidders on the framework may not be able to deliver the requirements of the works.

5.0 Issues for consideration

5.1 Financial implications

- 5.1.1 It is proposed to procure a multi-supplier framework consisting of 3 Lots as follows;

Lot 1: £0 - £2,000,000

Lot 2: £1,500,000 - £7,000,000

Lot 3: £5,000,000 - £30,000,000 and over

- 5.1.2 This would enable ongoing competitive tension to be maintained between supplier organisations, thereby achieving best value. Typically, each Authority's requirements will be competitively tendered within the proposed new framework via a mini-competition between suppliers on the relevant Lot, however an option to direct award will also be included for the two lower value Lots.

- 5.1.3 Over the 4-year life of Eastern Highways Alliance 3, the estimated requirements of the current Alliance are between £310m and £400m. It is estimated that ECC will spend approximately £50m over the 4 years.

- 5.1.4 Whilst there is no guaranteed volume of work to be let to contractors under the proposed framework, use of mini-competition or direct award under the proposed new framework is anticipated to be less resource intensive and deliver significant procurement cost reductions to the Alliance members. (The estimated cost of an open market procurement of an above threshold construction contract is c. £30,000 per average project, with smaller contracts costing c. £5,000).

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- 5.1.5 It is anticipated that Lot 1 will attract smaller contractors that may not otherwise appear competitive, whilst Lots 2 and 3 will secure contractors of a size that are capable of covering the whole geographical area of the Alliance.
- 5.1.6 The qualitative aspects of each company's approach to project delivery will be critical in maintaining predictable outcomes and driving cost efficiencies through the supply chain and a higher than usual evaluation weighting of quality as against cost when appointing contractors to the proposed new framework is therefore justified.
- 5.1.7 The evaluation criteria for the award of individual call of contracts from the framework will be determined on a project specific basis to retain flexibility and ensure the framework remains attractive to external users.

5.2 Legal implications

- 5.2.1 ECC are a contracting authority for the purposes of the Public Contracts Regulation and must comply with the regulations when going to the market to procure services.
- 5.2.2 ECC are permitted to set up a framework under the PCR. In going out to tender, ECC must ensure that the documentation contains accurate and full information about the services being procured, including the Lots, evaluation criteria and evaluation methodology to be used in the procurement itself and details of the framework call offs.

6. Equality and Diversity implications

The Equality and Impact Assessment was completed, and previous decision taken in relation to the cabinet report FP/400/03/19.

7. List of appendices

Appendix A

List of Background papers

Cabinet report FP/400/03/19

I approve the above recommendations set out above for the reasons set out in the report.	Date
Councillor Kevin Bentley Deputy Leader and Cabinet Member for Infrastructure	13/12/2019

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In consultation with:

Role	Date
Director Capital Investment & Delivery Paul Crick	13/12/2019
Executive Director for Corporate and Customer Services (S151 Officer) <i>Please send to your Head of Finance/Finance Business Partner who will arrange S151 sign off.</i> Nicole Wood	11/12/2019
Director, Legal and Assurance (Monitoring Officer) Paul Turner	11/12/2019