

AGENDA MANAGEMENT SHEET

Decision making session **Portfolio Holder (Resources) and Portfolio Holder (Customers, Workforce and Partnerships) Decision Making Session**

Date of Decision **18 September 2009**

Report Title **Term Contract for Fencing and Security Fencing, Installation, Improvement and Associated Works And
Term Contract for Paving Installation, Maintenance, Improvement and Associated Works**

Summary This report summarises the previous contractual provision for these services and proposes a re-tendering of the expired term contracts.

For further information please contact: Craig Roberts, Maintenance & Projects Manager, Resources Directorate

01926 412291

Would the recommended decision be contrary to the Budget and Policy Framework? No

Background papers None

CONSULTATION ALREADY UNDERTAKEN:-

Details to be specified

- | | | |
|-----------------------|-------------------------------------|--------------------------------------------|
| Other Committees | <input type="checkbox"/> | |
| Local Member(s) | <input type="checkbox"/> | |
| Other Elected Members | <input type="checkbox"/> | |
| Cabinet Member | <input checked="" type="checkbox"/> | Councillors Martin Heatley & Heather Timms |
| Chief Executive | <input type="checkbox"/> | |
| Legal | <input checked="" type="checkbox"/> | Barry Jukes |
| Finance | <input checked="" type="checkbox"/> | Oliver Winters |
| Other Chief Officers | <input type="checkbox"/> | |
| District Councils | <input type="checkbox"/> | |

Health Authority	<input type="checkbox"/>	
Police	<input type="checkbox"/>	
Other Bodies/Individuals	<input checked="" type="checkbox"/>	Paul White - Procurement

FINAL DECISION

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by
this Committee ☐

To Council ☐

To Cabinet

To an O & S Committee ☐

To an Area Committee ☐

Further Consultation ☐

**Portfolio Holder (Resources) and Portfolio Holder
(Customers, Workforce and Partnerships)
- 18 September 2009**

**Term Contract for Fencing and Security Fencing,
Installation, Improvement and Associated Works
And
Term Contract for Paving Installation, Maintenance,
Improvement and Associated Works**

Report of the Strategic Director, Resources

Recommendations

1. That Cabinet gives approval to proceed to competitively tender term contracts for the provision of Fencing and Security Fencing, Installation, Improvement and Associated Works, and Paving Installation, Maintenance, Improvement and Associated Works with effect from 1st April 2010 and 1st January 2010 respectively
2. That Cabinet approves and authorises the entering into all relevant contracts for the provision of Fencing and Security Fencing, Installation, Improvement and Associated Works, and Paving Installation, Maintenance, Improvement and Associated Works on terms and conditions acceptable to the Strategic Director of Resources and the Strategic Director of Customer, Workforce and Governance.

1.0 Background

- 1.1 Term contracts for the provision of Fencing and Security Fencing, Installation, Improvement and Associated Works, and Paving Installation, Maintenance, Improvement and Associated Works were awarded to suitable contractors following a competitive tender exercise. **Table 1** describes the details of each term contract.

Table 1

	Fencing contract	Paving contract
Start date	1st April 2005	1st July 2005
End date	31st March 2009	30th June 2009
Duration	4 years	4 years
Total duration value	£900,000	£1.3 million
Average no. of projects p.a.	67	55
Total no. of projects	268	220

- 1.2 The fencing contract orders covered works from emergency reactive repairs, to complete replacement of perimeter fencing and installation of new security fencing. The paving contract orders covered emergency reactive works, where a child or member of public had fallen as a result of defective paving, to complete replacement and resurfacing of playgrounds and car parks.
- 1.3 The nature of this work in nearly all cases involves the potential significant disruption to the ongoing security and continuity of the operational needs of the property and it is therefore imperative that works can either be dealt with swiftly, or planned with the agreement of the property occupier with the peace of mind that a quality contractor will be undertaking the works.
- 1.4 The previous term contracts had been awarded as call-off arrangements using schedule of rates, and therefore no guarantee of business is given to suppliers. The total contract expenditure depends on a rolling programme of needs, those being either planned through condition surveys or reacting to immediate needs of repair or of health and safety, over the life of the contract.

2.0 Procurement options

- 2.1 The preferred option to procure the works is to competitively tender to establish two new 4 year term contracts to replicate the recently expired term contracts. The alternative procurement route is to competitively tender each project individually to appoint a supplier to carry out the works. However this has the following implications.
 - As **Table 1** describes, there are likely to be a large number of orders for works similar to the previous term contracts, which is a considerable amount of individual tender exercises.
 - The competitive tendering route is a more expensive procurement process when the type of work is repetitive from project to project.
 - Lead times for tendered projects are greater than for individual orders under term contracts and there is no guarantee that a contractor's resources are available, which becomes a critical issue when we need them to provide a rapid reactive repair service.
 - Guaranteed quality is essential in these areas of work. Competitive tendering to obtain the lowest price possible leads to a situation where contractors tend to try and compromise on quality in order to seek to maximize their profit margin.
 - A large proportion of planned work takes place during the schools summer holidays. Competitive tendering at this time of year results in higher costs due to supply and demand. A term contract based on schedule of rates will ensure an even pricing basis throughout the financial year.

2.2 For the Paving contract, there could possibly be access to a similar Council supplier used by the Environment and Economy Directorate under their own contract. However, our analysis of this existing contract is deemed not suitable for Resources Directorate needs because:

- the existing Environment and Economy contract covers a small range of the required items for the Resources Directorate contract, and is aimed at predominantly major schemes.
- the overheads of the current supplier of this service are consistent with the costs expected for major schemes, but may not be consistent with the level of very small repair and maintenance bespoke schemes envisaged under the Resources Directorate term contracts.

2.3 The current supplier to the Environment & Economy Directorate is qualified to carry out this paving term contract and therefore when it is advertised, the existing Environment and Economy Directorate supplier will have the opportunity to submit a tender based on the specific requirements of the specification.

3.0 Potential savings for the Council

3.1 In normal market conditions, there are potential efficiencies to be gained from contracts procured over a longer term, which include;

- A consistent quality of service and quality workmanship, which provides good working relations and less burden on our internal contract management arrangements
- An efficient use of internal resource in the procurement of projects
- Long term partnership arrangements with a supplier resulting in the Council's work having a higher priority and achieving a greater sense of loyalty in the relationship. This benefits the Council with access to a sufficient, quality resource when we require it.
- Fixed priced schedules of work, eliminating seasonal and economic variations and fluctuations within the construction industry.

3.2 However the expiry of the current term contracts and time it will take to set up new term contracts present an opportunity to test the competitiveness of current market conditions. These conditions are extremely competitive due to the lack of investment brought about by the recession.

3.3 The affects of the economic recession show that across the country construction industry activity continues to decline, although at a slower rate than the past 12 months. This maybe about confidence returning to the sector, but actual project orders remain below average for this time of year. Regionally, West Midlands construction activity continues to decline more than any other region, and statistical indicators measuring activity levels, the state of order books and the number of tender enquiries received by contractors fell to its lowest reading since November 2000.

(source: Building Magazine 15th May 2009)

3.4 Therefore competitive tenders sought from the market over the next 9 months will provide a cost model by which we compare the competitiveness of term contracts which we aim to go live next year.

- 3.5 The proposed term contracts do not preclude the Council from competitively tendering projects outside of the term contract if it is considered that individual tender prices remain much more competitive than prices under the term contract or the contractor is not supplying the goods and services to the standards expected.

4.0 Summary and Conclusion

- 4.1 For the management of the property estate, we have a need to deliver fencing and paving works, and the term contracts competitively tendered and operated from 2005 to 2009 provided the means to do this efficiently. It is proposed to provide new arrangements on the same basis.
- 4.2 In order to maximise the efficiency of the term contracts as described above the proposal will be to enter into an initial 2 year agreement with the option of extending by a further year, then another year, if the performance of the suppliers under the term contracts continue to meet our prescribed standards. In any event the term will be for a maximum of 4 years. This will also provide a flexible approach if further procurement options, or cost benefits due to the competitiveness of the market, become evident and provide greater benefit to the Council.

David Clarke
Strategic Director of
Resources
Shire Hall
Warwick
September 2009