

**REPORT TO:** Executive Board Sub Committee

**DATE:** 22 July 2010

**REPORTING OFFICER:** Strategic Director  
Environment and Economy

**SUBJECT:** Extension of Term Contract for  
Highway Improvement Schemes

**WARDS:** Boroughwide

## **1.0 PURPOSE OF THE REPORT**

1.1 The Highway Improvement Term Contract with Lambros (Paving Contractors) Ltd. was formed on 9<sup>th</sup> July 2007. The Contract was for an initial period of three years with an option to extend the term, by mutual agreement, for further periods of 12 months, up to a maximum of 5 years. As the option to extend is included as a Contract Condition, this report does not request a waiver of standing orders. However, the annual value of works undertaken through the contract has increased since it was originally formed and therefore, the Board are requested to consider the extension of the Contract. Lambros have confirmed in writing their desire to extend the Contract.

## **2.0 RECOMMENDATION: That**

**The Highway Improvement Term Contract with Lambros (Paving Contractors) Ltd. of Longmeadow Road, Knowsley, Prescot be extended for a period of 12 months to July 2011 to enable the delivery of approximately £800,000 worth of highway improvements.**

## **3.0 SUPPORTING INFORMATION**

### **3.1 Contract Background**

The Highway Improvement Term Contract is based upon the Engineering and Construction Contract (ECC), one of the modern forms of contracts and takes the form of a schedule of rates covering a wide range of highway construction activities.

The contract was designed essentially to deliver the Quality Transport Corridor elements of the Integrated Transport Programme as outlined in the Council's Local Transport Plan 2006/07 to 2010/11, valued at around £450K per year. However, as the LTP Capital Allocation increased due to the 25% performance addition, and the Contract was utilised to deliver a wider range of highway construction works, the value of instructions through the Contract has grown to approximately £800K per annum, and a current total spend of £2.4m.

Works undertaken via the Contract include:

- Junction improvement and local safety schemes
- Quality transport corridor schemes including pedestrian and cycleway improvements
- Traffic calming schemes
- Access crossing construction

Rates contained in the contract are adjusted monthly to allow for inflation using standardised construction price and cost indices published by the Government (BERR). This mechanism ensures that variations of prices used across the Contract term are applied fairly and reflect actual cost changes in the industry.

### **3.2 Lambros (Paving Contractors) Ltd. - Contract Performance**

Lambros (Paving Contractors) Ltd. is a locally based company with a workforce and resources sufficient to deliver the wide range of highway construction operations required through the Contract. The Company operates from a dedicated works depot located in Widnes.

On average, approximately 80 works instruction orders are issued to the Contractor each year. The Contract includes a range of performance measures designed to ensure that works are undertaken to the specified standards and quality and delivered in accordance with the agreed scheme programmes. Throughout the period of the Contract, Lambros' performance in this respect has been excellent, achieving a high standard of work throughout the Borough and there has not been any cause to issue performance penalties.

During the course of the Contract, Lambros have gained a Contractors Health and Safety (CHAS) accreditation and Tarmac's 'Masters in Asphalt' accreditation. The company hopes to achieve 'Investors in People' in July and plan to work towards the ISO 14001 Environmental Management Standard.

Health and safety performance is closely monitored by Highways supervisory staff through daily site visits and is reviewed on a regular basis through Contract progress meetings. Over the course of the three years of the Contract, Lambros have had two injuries. resulting in over 3 days absences, and two non-reportable injuries. During the course of the Contract, Lambros have been served with one Prohibition Notice and one Improvement Notice by the Health and Safety Executive, both relating to the use of personal protective equipment (dust suppression masks) by operatives. This matter was quickly dealt with by Lambros' managers, through provision of additional equipment and training. Overall, the Company's health and safety record does not give cause for concern.

### 3.3 Option Analysis

If the option to extend the current contract, in accordance with the original procurement strategy, were not taken up, then the Council would have to find an alternative way of delivering the range of highway improvement schemes and minor works that have been identified in the Local Transport Plan Implementation programme for 2010/11. A number of alternatives have been considered:

- *Invite 'Spot' Tenders for individual schemes and minor works.*

This would entail a significant amount of staff time and resources in the preparation of individual tender documentation, and for advertising and procurement procedures involved in letting new contracts, to ensure the delivery of the substantial implementation programme in this, the final year of the LTP. Given the number of schemes and the scope of works, currently in design and under consultation, it is essential that construction can proceed as promptly and efficiently as possible. Procuring individual packages of work through 'spot' tender processes would delay scheme implementation and put delivery of the programme and expenditure of the capital budget at risk.

- *Procure the work through the current Highway Maintenance Term Contract.*

The Council has a term contract with Amey LG for highway maintenance services, repairs and reconstruction works. Whilst this contract does contain items covering the majority of works operations necessary to deliver elements of new highway infrastructure, it already delivers in excess of £2.5m worth of highway maintenance and construction per annum. The extent of work undertaken directly by Amey LG (rather than through sub-contract) through the Contract has increased recently, due to the extended footway reconstruction programmes ordered over the last two years. The addition of further works packages, to deliver highway improvements and minor works, would require a short-term, but significant increase in labour resources by the contractor for the final year of the LTP programme. This is not considered to be the most favourable option for the Council, as we would also lose the flexibility of having an alternative resource as support, for example, during emergencies and periods of severe weather.

- *Procure a new Term Contract to deliver the programme.*

Again this would require a substantial amount of staff time and resources to prepare tender documentation and follow procurement procedures. The original procurement strategy and contract documentation allowed for the option to extend the term for further periods, up to a five year maximum, to gain the maximum benefit from the contract preparation and procurement procedures. This benefit would be lost if the option to extend is not taken up. 2010/11 is the final year of the LTP2 integrated transport programme, and future funding for highway and transportation improvements is uncertain. It is not considered sensible to enter into a

new term contract for the delivery of these schemes and minor works, at the present time.

### **3.4 Extension of current Contract:**

In 2007, when the current contract was awarded, a 3 year term, with option to extend by 12 month increments, up to a maximum period of five years, was considered to offer the most effective method of procuring highway improvement schemes and minor works. It provided for a continuity of programme delivery, through a single construction contractor, and enabled staff time to be used most efficiently, in the design, preparation and delivery of schemes. The extension of the contract term beyond three years was dependant upon good performance, which provided an incentive for the Contractor to carry out his operations proficiently.

Over a three year period, the term contract has successfully delivered the Integrated Transport Programme and work has invariably been undertaken to a good quality, to programme and within budget. Such was the performance during this initial period, additional work has been delivered through the Contract, including junction improvement schemes and access crossing construction. Although the works undertaken by the Contractor can often be disruptive to the travelling public and residents affected by the scheme, Lambros' operations on site, are generally well received by the public. The Department is aware of several instances where compliments have been paid to the standard of work undertaken.

As stated earlier, this is the final year of the three year Transport Capital Settlement and the final year of LTP2. As funding for highway improvements and capital works is uncertain beyond March 2011, it is proposed that a 12 month extension to the term contract is granted, as originally conceived in the original tender documents. Dependent upon future funding availability and continuing good performance by the Contractor, the Contract could be extended for a further 12 month period if necessary, and this would be reported to the Board at the appropriate time.

## **4.0 POLICY IMPLICATIONS**

The current contract was awarded for an initial period of three years with a view to extend for further periods as necessary, if programmes and budgets required it, and depending upon performance. There are no policy implications in relation to the recommended extension.

## **5.0 OTHER IMPLICATIONS**

### **5.1 Resource Implications**

The extension of the term contract would provide the Council with the most effective method of delivering the 2010/11 Integrated Transport

Programme and saves manpower and financial resources that would otherwise be required to prepare and procure an alternative form of contract for the delivery of the Programme.

The Contract contains a mechanism for dealing with variations of price, with the schedule of rates adjusted in line with the BERR construction price indices. This mechanism would continue to apply to the one year period of contract extension which provides both the Council and the Contractor assurance that costs are controlled within the effects of inflation.

## **5.2 Best Value**

The Highway Improvement Term Contract was awarded to Lambros Paving Contractors Ltd. in 2007 on the basis of them submitting the lowest tender value and the highest overall score for their quality submission. No significant contractual claims or variations to the contract have occurred during the four years of operation and the variation of price adjustment has resulted in the contract costs keeping pace with construction inflation. When compared with rates and prices for works secured under current market conditions, the schedule of rates still offers good value for money. It is considered therefore that the contract would continue to offer best value for the delivery of highway improvement schemes and minor works.

## **6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

### **6.1 Children and Young People in Halton**

There are no direct implications arising from the recommendation.

### **6.2 Employment, Learning and Skills in Halton**

There are no direct implications arising from the recommendation.

### **6.3 A Healthy Halton**

There are no direct implications arising from the recommendation

### **6.4 A Safer Halton**

As stated in paragraph 3.2 generally, Lambros have an excellent safety record with few blemishes. The issues that have arisen have been actively pursued to eliminate potential for further incidents.

### **6.5 Halton's Urban Renewal**

The standard of highway improvement works undertaken by Lambros is very good and this contributes positively to the overall condition and appearance of the highway infrastructure and public realm throughout the Borough.

## **7.0 RISK ANALYSIS**

### **7.1 Escalating Contract costs.**

As stated in paragraph 3.1 the mechanism for adjusting rates and prices

is regulated using the BERR construction price indices and the schedule of rates is updated monthly to take account of inflation. Highway improvement minor works are ordered under the contract throughout the course of the year and the volume and value of work ordered is constantly monitored against available capital budget.

The contract is based upon one of the modern forms of New Engineering Contracts (NEC) with a 'partnering' approach to delivering highway maintenance services. Lambros have carried out works under the current contract for three years and during that time there have been no significant or serious contractual claims or other issues which have required resolution through the contract dispute mechanisms.

Extending the current contract for a period of one year presents a low risk of contract costs increasing beyond the available capital budget.

### **7.2 Reducing Quality**

Lambros have consistently delivered work to an excellent standard and there is no reason to believe that the quality of workmanship would change. The completion of works on time to programme has not been an issue during the three years of the Contract.

### **7.3 Contractor Stability**

A financial assessment has been provided by the Procurement Division as part of the process of contract review. This has identified a company financial rating score of 'B – Good'. In relation to Lambros Paving Contractors Ltd. The financial exposure of the Council is limited by the nature of the Contract Conditions and payment process.

## **8.0 EQUALITY AND DIVERSITY ISSUES**

There are no Equality and Diversity issues in relation to the recommendation.

## **9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972**

<b>Document</b>	<b>Place of Inspection</b>	<b>Contact Officer</b>
Letter from Lambros Paving Contractors Ltd. requesting consideration of Contract term extension.	Rutland House Halton Lea, Runcorn. Highways Transportation and Logistics Department.	D. Cunliffe