

CABINET

27 NOVEMBER 2012

GATEWAY 5 PROCUREMENT CONTRACT MANAGEMENT REPORT: HIGHWAYS MINOR WORKS CONTRACT PERFORMANCE REVIEW

Portfolio Holder: Councillor Phil Filmer, Frontline Services

Report from: Robin Cooper, Director of Regeneration, Community and Culture

Author: Phil Moore, Service Manager - Highways and Parking Services

Summary

This report seeks permission from the Cabinet to review the progress of the Highways Minor Works contract currently delivered through / awarded to VolkerHighways. Further information relating to permissions is detailed within 2.2 'Permissions' required.

This is based upon the procurement process which was undertaken during 2007, and which led to an award of contract on 1 August 2007. The commencement and delivery of this procurement (and delegation to the Assistant Director of Legal, Contracts and Property Services, of the acceptance of the most advantageous tender) requirement was approved by Cabinet delegation on 20 February 2007.

Approved Procurement Gateway 1, 3 and 4 Reports relating to this Gateway 5 report are available upon request.

A Gateway 5 Post Project Appraisal Report was reviewed by the Cabinet at Procurement Gateway 5 on 26 November 2011.

This Procurement Gateway 5 report has been approved for submission to the Cabinet after review and discussion at a Regeneration, Community and Culture Directorate Management Team meeting on 4 October 2012 and the Procurement Board on 31 October 2012.

1. Budget and Policy Framework

1.1 Procurement Contract Management

This procurement contract management report and its subsequent review is within the Council's policy and budget framework and ties in with all the identified Core Values, Strategic Priorities, Strategic Council

Obligations and Departmental/Directorate service plans as highlighted within the Procurement Gateway 1 Report.

1.2 Statutory Requirements

Under section 41 of the Highways Act, the Council has a duty to maintain the highway. As a guideline, authorities have a general duty of care to users of the community to maintain the highway in a condition fit for its purpose.

1.3 Funding/Engagement From External Sources

As this procurement contract management report and any subsequent decision(s) encompass funding/engagement from external sources, authority to proceed with any resultant decisions as per this report have been reviewed and approved by the following Partnering Organisations/External Funding Bodies:

LTP3 allocation from Government

1.4 Other Information

1.4.1 Decisions relating to the management and maintenance of the public highway are within policy framework. This contract is a call off contract and therefore officers can ensure that orders placed on the contract do not exceed the available budget. There is an identified budget to support this contract.

1.5.2 This Procurement Contract has been categorised as a High Risk service through the Risk Analysis Tool (RAT) process associated with the old Gateway Procurement Process. In line with the new Gateway Procurement process as of 1 January 2011, this procurement contract is a category B High Risk Procurement Contract as the value of the total termed contract is above £250,000, requiring presentation to the Procurement Board and Cabinet.

2. Background

2.1 Contract Details

2.1.1 This contract is a Works contract.

2.1.2 Supplier Details

This Gateway 5 Report relates to the Highways Minor Works Contract currently delivered VolkerHighways.

2.1.3 Contract Description

The current contract was tendered in accordance with the procurement process and was let by Medway Council on 1 August 2007. This contract is for 5 years with five, one yearly extensions, which can be awarded after the completions of years 1, 2, 3, 4 and 5 respectively. Extensions are granted based on performance measured by key performance indicators.

This contract provides Medway with the majority of highway maintenance services required, including: winter service, emergency call outs, responsive maintenance, along with some planned maintenance and highway scheme implementation.

The contract value is expected to be around £50m if extended to the full ten years.

2.2 Permissions Required

2.2.1 This report seeks permission to provide the Procurement Board with a procurement contract management report and to request permission to extend this contract for one year (from 1st August 2016 to 31st July 2017) on the basis that this contract has provisions to extend, has fulfilled requirements in accordance with the service specification and associated contract terms and conditions from the contract commencement date of 1 August 2007 to present and because no major issues have been identified which cause concern.

2.3 Other Information

2.3.1 In addition the following market benchmarking has been undertaken which demonstrates that continuing with this contract via the provisions to extend in accordance with the contract terms and conditions, will provide the Council with the best value for money outcomes.

2.3.2 See Exempt Appendix section 3 cashable savings, detailing negotiated reduction in VolkerHighways rates for the resurfacing of roads and pavements.

2.3.3 Consultation recently undertaken by SE7 group on benchmarking inform officers that this contract does indeed present value for money as the rates for Asphalt repairs were the best across the SE7 area.

2.3.4 Since the start of the contract in 2007 continuous improvements have been made by the contractor in terms of the KPI's.

2.3.5 The contract is quite clear on extension, that if the contractor meets the performance figures then the contract will be extended.

- 2.3.6 To renegotiate or re-tender this contract, we would likely incur contract claims and also have to undertake a further procurement exercise and would incur costs somewhere in the region of over £500,000 in officer and consultant costs, which is why Council approved a 5 year plus 5 yearly extension based on performance.
- 2.3.7 Continuous development is being undertaken with a very forward thinking contractor. The contractor at our request has extended their salt store following the two previous hard winters and increased their salt stock from 3500T to over 5000T at no cost to Medway Council, providing evidence that they are committed to a long term contract and are working towards a better for less framework. In addition they are currently relocating their depot to be more centrally one, based at Medway City Estate.

3. Options

In arriving at the preferred option as identified within Section 4.1 'Preferred Option', the following options have been considered with their respective advantages and disadvantages:

3.1 Conclude Current Contracts and Provide Action Plan

The option of concluding this contract with immediate effect for supplier non-performance and providing an action plan to retender requirements has been considered. Although there are provisions within this term contract's terms and conditions to cancel contractual arrangements, it is not a viable option because the contract is currently working well and is in year five of a potential ten-year contract.

3.2 Continue With Current Contract and Negate Any Further Gateway 5 Reporting Requirements

The contract is high risk, high value and of strategic importance to the Council politically, legally, financially and from a front-line service delivery perspective. Therefore this is not a viable option as Gateway 5 cannot be negated.

3.3 Continue With Current Contract and Subject Contract to Further Gateway 5 Reporting Requirements

The option of continuing with the current contract for the remainder of the contract term and subjecting the contract to further Gateway 5 requirements has been considered and below are the advantages and disadvantages of this option:

Advantages.

- Competitive tendered rates at time of tendering.
- Continuous improvement by contractor in line with contract terms.
- Locally discounted rates for certain high value elements of contract such as 18% reduction on resurfacing costs.
- Substantial capital investment by contractor in extending their salt barn from the contracted position of 3500T to over 5000T at no cost to Medway.
- Contractor currently establishing a new depot at Medway City Estate at no cost to Medway Council.
- Best prices for Asphalt work in recent benchmarking exercise with SE7 authorities.

Disadvantages – None

3.4 Extend Current Contract

The option of extending the current contract for one year, as permitted in the contract, has been considered and below are the advantages and disadvantages of this option:

Advantages.

- Competitive tendered rates at time of tendering.
- Continuous improvement by contractor in line with contract terms.
- Locally discounted rates for certain high value elements of contract such as 18% reduction on resurfacing costs. Substantial capital investment by contractor in extending their salt barn from the contracted position of 3500T to over 5000T at no cost to Medway.
- Contractor currently establishing a new depot at Medway City Estate at no cost to Medway Council.

Disadvantages

Future market rates resultant from tendering may prove cheaper which could mean.

Medway is tied into more expensive contract for a longer period, however as the major purchase is Asphalt material and Medway have proven to be the leading authority in the SE7 area for Asphalt rates, this is most unlikely.

3.5 Invoke Contract Variation Into Current Contract

The option of invoking a contract variation within the current contract is not a viable option because the contract only allows for yearly extensions to the contract period up to year five giving a potential contract term of ten years and there is no scope for variation at present.

3.6 Other Alternative Options

No alternative options have been identified.

4. Advice and analysis

4.1 Preferred Option

Further to an extensive review of procurement options as highlighted within Section 3 'Options' above, the following preferred option is recommended to the Cabinet including justification for this recommendation.

Options 3.3 and 3.4 are recommended for approval i.e. to continue with the current contract subject to further gateway 5 reporting requirements and to extend the current contract. The contract allows for one more yearly extension (year 10) to be granted subject to a satisfactory performance of year 5 of the contract, which has been obtained.

4.1.1 Procurement Project Outputs / Outcomes

The following procurement outcomes/outputs have been appraised in the table below to demonstrate how the procurement contract and corresponding supplier have continued to deliver outputs as part of ongoing contract management. This table shows the agreed contractual KPIs.

These outputs are in relation to outputs identified as important at Gateway 1 to the delivery of this procurement requirement, identified as justification for awarding the contract at Gateway 3, and outlined as part of the post project appraisal at Gateway 4.

Outputs / Outcomes	How has success been measured?	Who has measured success of outputs/ outcomes	When was success measured ?	How has procurement contract delivered outputs/out comes?
A Adherence to Programme				
A1 Predictability	Number of Planned Maintenance/ Schemes not Started on Time	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
A2 Predictability.	% Live Orders Not Overdue	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
A3 Traffic Management Act	Value of Shadow FPN	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
A4 Daily Whereabouts	Delivery on or before 9.30am	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
B Health & Safety				
B1 Accident Frequency	A.F.R. Indicator	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
B2 Injuries/Damage	Third Party Injuries / Damage	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
B3 Site Health & Safety	% of work sites passing VolkerHighways site Inspections	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
B4 Site Health & Safety	Number of Health and Safety breaches reported at weekly meeting	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings

C				
Complaints/			Compliments	
C1 Complaints	Number of complaints received that require corrective action by the contractor	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
C2 Response to Complaints	% of C1 Respond to Substantively within 10 working days	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
C3 Level of customer satisfaction	% Customer Satisfaction received from post-works surveys	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
C4 Information Boards	Number of Sites inspected not displaying information boards	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
D				
Financial				
D1 Timely Submission of Applications	% Payment Applications issued to Service Manager within 28 days of completion	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
D2 Accuracy	% Payment requests issued by the contractor, reviewed and agreed by the Service Manager, that are not currently in dispute	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
E				
Innovation				
E1 Construction Waste to Transfer Station or Landfill	% Waste produced in delivering the service that is disposed of at Transfer Station or landfill	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings

E2 Recycling	% Material used to deliver the service that is recycled or from secondary sources	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
E3 CO2 Emissions	% Reduction of CO2 produced by vehicle fleet in delivering the service	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
F Quality				
F1 Right First Time	Number of Task Orders Requiring Corrective action at Weekly Meeting	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
F2 Emergency Response	% Call-outs attended within response times	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
F3 Winter Service	% Gritting routes treated within response time	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
F4 Quality Management System	Number of non-conformances from audits	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings
F5 Considerate Constructors Scheme (CCS)	Average score received from CCS audits (over a 12 month period)	Provided by contractor for agreement with Highways Management Team	Monthly	Agreed KPIs managed by regular joint meetings

Target KPIs (accumulative) are revised each year to ensure continual improvement to Contractor's performance before extension of contract is granted. KPI's are agreed at strategic quarterly meetings.

4.1.2 Procurement Project Management

This procurement project will be taken through the remainder of the Gateway Procurement Process through the utilisation of the following project resources and skills: - The Highways Management Team including the Head of Highways and two Principal Engineers.

4.1.3 Contract Management Resources and Skills

The contract management of this procurement contract will continue to be resourced for the remainder of the contract through the following contract management strategy:

A regime of contractual meetings designed to facilitate smooth running of the contract was included in the contract. The Highways Group is dedicated to this partnership with VolkerHighways and most highways staff are actively engaged in management of the contract in some way or other, whether issuing orders, authorising works or attending progress meetings.

- 4.1.3.1 This contract is based on a partnership model and is measured on Key Performance Indicators (KPIs) as described in the original contract conditions as modified and approved in 2008.
- 4.1.3.2 The contract went live on 1 August 2007. Officers meet on a weekly basis with the contractor to discuss the previous weeks activities and the planned work for the next week. These meetings are minuted and are fed into the Monthly meetings.
- 4.1.3.3 Monthly meetings are held to discuss any issues escalated from the weekly meetings. At the monthly meetings the performance of the contractor is also discussed and monthly KPI's are presented and recorded (KPI's shown in the table below). Highway officers attending this meeting are a mixture of those attending the weekly meeting (operational staff) and selected staff from the highways management team. Issues that cannot be resolved at the monthly meetings are escalated to the Quarterly meetings.
- 4.1.3.4 Quarterly meetings are attended by the Highways management team including the service manager. These meetings resolve any issues escalated from the monthly meetings and also monitor the overall performance of the contract.
- 4.1.3.5 Following the Quarterly performance meetings, the service manager works with the contractor to resolve any performance issues and agree an improvement plan for the contractor, if required. The service manager also needs to ensure that he has all the evidence to support any reports that need to be written for an annual report to the Procurement Board and Cabinet.

4.1.3.6 Variations have been made to the contract following the performance meetings. These variations are around very minor additions to the contract rates where service improvements have been made. For example this year new rates were agreed for a superior type of reinstatement material that lasts longer. These variations were agreed at the quarterly meeting and included new rates for this improved service.

4.1.3.7 The variation officers are seeking in this report is to award an extension of the contract for 1 year (last extension) following the completion of year five of the contract.

4.1.3.8 Many benefits on quality and performance have been seen in the delivery of this contract as demonstrated in the KPI figures. A specific benefit is that agreed with the contractor on percentage discounts on bulk orders associated with resurfacing works. Packages over £50,000 attract a 2.5% discount and works over £100,000 attract 5%. This saving allows more schemes to be delivered on the ground.

4.1.3.9 Further negotiations were undertaken with VolkerHighways to reduce the rates for the current packages of road and pavement resurfacing schemes (2011-12 and 2012-13). This resulted in an agreed overall discount of 18% off the term contract rates, generating cashable savings based on available budgets:

2011/12	£335,547
2012/13	£236,000.

4.1.3.10 Annual contract uplift, which is contractually due on the anniversary of the contract, (1 August) is governed by the CFP index. This is an annually published figure for the industry. Some contracts are biased towards staff costs and their indexes reflect costs associated with staffing, however this highways contract is biased towards material costs and specifically petroleum and steel prices, which have risen over the recent year. The annual index is applied to the base figures of the contract, which for year five is expected to be around 17.8%, however this figure will not be published until around December 2012. This increase averages out across the 5 years as an annual increase of around 3.5%, but must be viewed in light of the 18% discount mentioned in 4.1.3.9 above.

4.1.3.11 Members should note that following a recent benchmarking exercise across all seven local authorities who make up the SE7 work streams, VolkerHighways Asphalt resurfacing rates were the best rates of all seven authorities, showing that VolkerHighways offer good value for money.

4.1.3.12 Since mobilisation in August 2007, various elements of the service delivery have been excellent, including the emergency call out facilities and the winter service. While in year 2 it was reported that some elements caused officers concern, for example delivery dates not being achieved, resulting in a backlog of orders these concerns were

responded to by the contractor. Officers now confirm that over 99% of all task orders are completed on time. The contractor has met all other issues raised with improvement plans and steady improvements in performance.

4.1.3.13 The KPIs used in this contract for year five (1 August 2011 to 31 July 2012) are shown in the table below. These KPI's were revised in year two to more closely represent an appropriate range of performance targets.

4.1.3.14 It is clear that having worked with the revised KPIs over the last three years, both the officers of Medway and VolkerHighway's feel that the future management of the contract should continue to be developed using these KPI's. The revised set of KPI's developed in partnership with VolkerHighway's prioritise adherence to programme and getting the repairs undertaken "right first time". The focus for both Medway officers and the contractor is making continuous improvements over the life of the contract.

4.1.3.15 This contract is from a suite of contract conditions known as the New Engineering Contract (NEC) Term Service Contract, which is managed by the Institute of Civil Engineers. It is the first time that these conditions have been used for the Highways Minor Works Contract.

4.1.3.16 It is clear from the first five years that this form of contract conditions encourage issues to be resolved in a short time scale (28 days) and as such financial planning and management is rarely more than 28 days out of date

4.1.3.17 Variations to contract details are being managed centrally within highways so that no matter how many variations, big or small that are made to the contract, the central contract is kept up to date.

4.1.4 Other Issues

There are no other issues that could potentially impact the remainder of this contract term.

4.1.5 TUPE Issues

Further to guidance from Legal Services, Human Resources and the Strategic Procurement Team, it was identified at Gateway 1 that as this is a Works related procurement contract, TUPE did apply.

The recommended contract award at Gateway 3 resulted in one member of staff and eleven operatives being affected by TUPE and transferring as a result of the incumbent provider from the old contract not being successful as part of the previous procurement tender process.

Further to this, there are no further TUPE issues to consider at this stage.

4.2 Other Information

- 4.2.1 The contract was awarded to Fitzpatrick in 2007. Fitzpatrick have been re-branded and adopted part of their parent company name. They are now known as VolkerHighways. This contract is performing well, however both Medway and VolkerHighways wish to see continuous improvements being made and recent figures would suggest this is the case.
- 4.2.2 Procurement Board recommended on 3 September 2008 and Cabinet on 23 September 2008 awarded a 1 year extension (Year 1) and adopted revised performance measurement criteria. Procurement Board recommended on 14 October 2009 and Cabinet on 3 November 2009 awarded a 1 year extension (Year 2). Procurement Board recommended on 20 October 2010 and Cabinet on 9th November 2010 awarded a 1 year extension (Year 3). Procurement Board recommended on 2 November 2011 and Cabinet on 29 November 2011 awarded a 1 year extension (Year 4).
- 4.2.3 This fifth year extension is justified based on the contractor's performance, which is shown in Section 4. The KPIs are scored on a monthly basis and a yearly summary is included. The revised KPIs aim for a score greater than 9500 for the yearly extension to be made. For this year an average score of 9558 was achieved by the contractor showing that the monthly score has exceeded the target indicating progressive improvement in performance.

VolkerHighways - Monthly KPI Scores 2011 - 12

| Score for the Month |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Aug 11 | Sep 11 | Oct 11 | Nov 11 | Dec 11 | Jan 12 | Feb 12 | Mar 12 | Apr 12 | May 12 | Jun 12 | Jul 12 |
| 9645 | 9725 | 9655 | 9615 | 9555 | 9275 | 9655 | 9455 | 9485 | 9475 | 9445 | 9705 |

Average for 2011-12	9558
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- 4.2.4 Having looked at the performance of the contractor over the fifth year (1 August 2011 to 31 July 2012) in accordance with the revised performance criteria it is recommended that the contractor be awarded an extension for a further year in accordance with the conditions of contract.

5. Risk Management

5.1 Risk Categorisation

The following risk categories have been identified as having a linkage to this procurement contract at this Gateway 5 Stage:

- | | | |
|---|-------------------------------------|--------------------------------|
| Procurement process
<input type="checkbox"/> | <input type="checkbox"/> | Equalities |
| Contractual delivery
<input type="checkbox"/> | <input checked="" type="checkbox"/> | Sustainability / Environmental |
| Service delivery
<input type="checkbox"/> | <input checked="" type="checkbox"/> | Legal |
| Reputation / political
<input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Financial |
| Health & Safety
<input type="checkbox"/> | <input type="checkbox"/> | Other/ICT* |

Risk Categories	Outline Description	Risk Likelihood A=Very High B=High C=Significant D=Low E=Very Low F=Almost Impossible	Risk Impact I=Catastrophic II=Critical III=Marginal IV=negligible Impact	Plans To Mitigate Risk
a) Procurement process	N/A	N/A	N/A	N/A
b) Contractual delivery	Volker performance & commitment by Year 10	D	IV	Continue regular meetings with Volker & Contract monitoring which has been successful in the first 5 years
c) Service delivery	Unknown level of available budgets by Year 10	D	III	Reallocation of available budgets. No guaranteed minimum

				yearly Contract figure
d) Reputation / political	Relationship with VolkerHighways staff and management	D	IV	Continue regular Contract meetings & work shops
e) Health & Safety	N/A	N/A	N/A	N/A
f) Equalities	N/A	N/A	N/A	N/A
g) Sustainability / Environmental	N/A	N/A	N/A	N/A
h) Legal	N/A	N/A	N/A	N/A
i) Financial	Over commitment of budgets	E	III	Monthly financial monitoring by Highways managers to prevent overspend of budgets
j) Other/ICT*	N/A	N/A	N/A	N/A

6. Consultation

6.1 Internal (Medway) Stakeholder Consultation

As part of this ongoing procurement contract management, no internal stakeholder consultation is required.

6.2 External Stakeholder Consultation

As part of this ongoing procurement contract management, no external stakeholder consultation is required

6.3 Other Information

None

7. Procurement Board – 31 August 2012

7.1 The Procurement Board considered this report on 31 August 2012 and recommended approval to Cabinet.

8. Financial and legal implications

8.1 Financial Implications

8.1.1 This procurement contract and its associated delivery as per the preferred option highlighted at Section 4.1 'Preferred Option' and the recommendations at Section 9, has the following financial implications which the Cabinet must consider.

8.1.2 There is an existing budget to fund this contract and that of the contract extension. The contract is clearly performing well and given that this contract went through the procurement process, value for money is assured. This contract does not tie Medway into services it cannot afford and therefore I support this report and the recommendations contained within.

8.1.3 Detailed finance and whole-life costing information is contained within Section 2.1 Finance and Whole-Life Costing of the Exempt Appendix to this report

Section 2.1 Finance and Whole-Life Costing of the Exempt Appendix at the end of this report.

8.2 Legal Implications

8.2.1 This procurement contract and its associated delivery as per the preferred option highlighted at Section 4.1 'Preferred Option' and the recommendations at Section 9, has the following legal implications.

8.2.2 In line with the original procurement the existing contract provides for yearly extensions for a maximum of 5 years after the expiry of the first five years of the contract. Therefore the recommended extension is in accordance with EU procurement rules and the Council's Contract Rules.

8.3 Procurement Implications

8.3.1 This procurement contract and its associated delivery as per the preferred option highlighted at Section 4.1 'Preferred Option' and the recommendations at Section 9, has the following procurement implications.

8.3.2 The original procurement was conducted in accordance with EU procurement regulations and the mechanisms for future contract extensions was clearly stipulated within the tender documentation and

within the tender advertisements. This report is the fourth of the annual reports required by the gateway procurement procedures and clearly demonstrates that the contract and contractor are performing well, working in partnership to ensure effective service delivery and continuous improvement. This contract as stated elsewhere does not guarantee the contractor a specific volume of work, which will give the necessary flexibility to deliver competing service delivery priorities.

- 8.3.3 Strategic Procurement supports the recommendation for an additional one year extension (year 10 of a potential 10 year contractual arrangement). Strategic Procurement supports the recommendation for an additional one year extension (year 10 of a potential 10 year contractual arrangement) in principle but advises the client department that because there is no further extension to this contract and the incentives for the contractor's good performance is based solely on these extension, the client department must have robust monitoring in place for the next 5 years.
- 8.3.4 It is clear from this contract that if the contractor meets set KPIs then the Authority should extend the contract in line with the terms and conditions of contract.

8.4 ICT Implications

- 8.4.1 This procurement requirement does not have any ICT implications, save to say that since this contract has been in place Highways have developed CONFIRM (the councils asset Management and contract system) to deliver the service in a paperless process through from Customer first, highways and the contractor.

9. Recommendations

- 9.1.1 The Cabinet is asked to note the performance of the Highways Maintenance Term Contractor; VolkerHighways as detailed in the report.
- 9.1.2 The Cabinet is asked to note that VolkerHighways Asphalt resurfacing rates were the best rates of all seven authorities who contributed to the recent SE7 benchmarking exercise, showing that VolkerHighway offer good value for money.
- 9.1.3 The Cabinet is asked to agree the award of a fifth one (1) year extension to VolkerHighways Highways Minor Works Contract (from 1 August 2016 to 31 July 2017), in accordance with the conditions of contract, which was originally procured through the council's procurement procedures.

10. Suggested reasons for decision(s)

- 10.1 The recommendations contained within Section 9 'Recommendations' above are provided on the basis that Medway is contractually obliged to consider the performance of the Highways Minor Works Contractor annually and to consider awarding a yearly extension after each completed year of service delivery.

Lead officer contact

Name Title
Department Directorate
Extension Email

Background Papers

The following documents have been relied upon in the preparation of this report:

Description of document	Location	Date
Gateway 1 Report Acceptance of Tender: Highways Minor Works Contract	http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?IId=2185	20 February 2007
Gateway 3 High-risk procurement contract award acceptance report.	Exempt	4 May 2007
Highways Minor Works Contract Performance Review	http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?IId=2422	23 September 2008
Gateway 4 Contract Review: Highways Minor Works Contract	http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?IId=3367	3 November 2009
Gateway 4 Contract Management: Highways Maintenance Term	http://democracy.medway.gov.uk/ielIssueDetails.aspx?IId=5416&Opt=3	9 November 2010
Gateway 5 Procurement Post Project Completion Review: Highways Maintenance Term Contract	http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?IId=7399	29 November 2011