

**REPORT TO:** Executive Board Sub Committee

**DATE:** 15 July 2011

**REPORTING OFFICER:** Strategic Director Policy and Resources

**SUBJECT:** Extension of Term Contract for Highway Improvement Schemes - Second Year

**WARDS:** Boroughwide

## **1.0 PURPOSE OF THE REPORT**

**1.1** To seek Members' approval for the extension of the Highway Improvement Term Contract with Lambros (Paving Contractors) Ltd. for a second period of 12 months as allowed for in the Terms and Conditions of Contract.

## **2.0 RECOMMENDATION: That**

**2.1 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 2012 to enable the delivery of approximately £680,000 worth of highway improvements; and**

**2.2 Discussions be held with Lambros (Paving Contractors) Ltd. with a view to extending the Contract term by a further period of 8 months, to 31<sup>st</sup> March 2013, subject to securing agreement of Contract price savings and advice being sought from Procurement and Legal Services Divisions on the feasibility of this extension. Such agreement would require a waiver of standing orders, which would be reported to Members for approval in due course.**

## **3.0 SUPPORTING INFORMATION**

**3.1** 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 contract period of 5 years.

**3.2** Based upon the Contractors good performance, the Board has already approved an initial 12 month extension to July 2011 (Minute ES23 22<sup>nd</sup> July 2010 refers). If approved, this further extension will take the total contract term to the maximum period allowed for in the Conditions of Contract.

**3.3** At the time of the last report to the Board, the level of LTP funding beyond March 2011 was uncertain, however, the Board resolved that,

dependent upon future funding availability and continuing good performance by the Contractor, the Contract would be extended for a further 12 month period if necessary, and this would be reported to the Board at the appropriate time.

- 3.4 As Members will be aware, Integrated Transport Block funding was severely cut in the Government's Comprehensive Spending Review, with the result that the total allocation for 2011/12 is £680,000, approximately 60% down on earlier LTP settlements. The Council's approved Integrated Transport Capital Programme is therefore much reduced, but continues to be targeted primarily at measures designed to assist walking, cycling, bus transport and road safety schemes.
- 3.5 Over the course of the past 12 months Lambros Paving Contractors have continued to successfully deliver LTP schemes including improvements at Widnes railway station, Coronation Drive and Murdishaw Roundabout. Also, work has recently commenced on junction improvements at Milton Road / Kingsway, Widnes. Construction works have been consistently undertaken to the specified standards and quality and delivered in accordance with the agreed scheme programmes. No reportable injury accidents have been recorded during the period of contract extension to July 2011. Lambros have confirmed in writing, their desire to extend the Contract.
- 3.6 It is proposed that the term contract be extended for a further period of 12 months to enable the delivery of the schemes outlined in the LTP implementation programme for 2011/12. The option to extend is included as a Contract Condition and therefore this report does not request a waiver of standing orders.
- 3.7 Following discussions with the Procurement Division, the potential for negotiating Contract price savings with Lambros Ltd. has been considered. Furthermore, there may be significant efficiency benefits to the Council, through the grouping of highway works contracts in the future, as existing contract periods expire. This could bring financial savings through the 'bundling' of various types of works into a single contract as well as delivering savings in tender and contract administration. With the potential for aligning contract expiry dates in mind, it is proposed that Lambros Ltd. be approached to secure contract price savings over an extended contract period, from now until to 31<sup>st</sup> March 2013. A contract extension beyond the current 5 year maximum would require a waiver of standing orders and therefore, any proposals would be brought to the Executive Board Sub Committee for approval.

#### **4.0 POLICY IMPLICATIONS**

- 4.1 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 2011/12 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 period of contract extension which provides both the Council and the Contractor assurance that costs are controlled within the effects of inflation.

### **5.2 Value for Money**

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 value for money in 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**

Lambros have an excellent safety record with few blemishes. The issues that have arisen over the course of the Contract 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 5.1 the mechanism for adjusting rates and prices is regulated using the Government's 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 four 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 further 12 month period 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**

An up-to-date 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 'C+ 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