

**CABINET**  
**2 NOVEMBER 2017****INFRASTRUCTURE ENGINEERING TERM CONTRACT**

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**Relevant Cabinet Member**

Dr K A Pollock

**Relevant Officer**

Director of Economy & Infrastructure

**Recommendation**

- 1. The Cabinet Member with Responsibility for Economy & Infrastructure recommends that Cabinet:**
  - a) endorses the approach to commissioning an Infrastructure Engineering Term Contract and approves the commencement of the procurement process; and**
  - b) delegates authority to the Director of Economy and Infrastructure, in consultation with the Cabinet Member with Responsibility for Economy and Infrastructure, to finalise and execute an Infrastructure Engineering Term Contract.**

**Why are these decisions important?**

2. As one of the fastest growing economies in the country, Worcestershire is truly open for business. Record investment is happening in road and rail infrastructure, unlocking key employment sites and providing vital congestion busting schemes in times of rapidly increasing housing needs.
3. The decisions are required to ensure a suitable contractual framework is in place for the delivery of planned infrastructure works and other civils works, e.g. structural maintenance.

**Background**

4. Worcestershire County Council has an existing Term Civil Engineering Contract (TCEC) for delivering a range of infrastructure works, from small maintenance schemes to large projects. This contract has enabled the Council to build a long-term relationship with the supply chain, whilst providing flexibility and responsiveness to ensure successful delivery. The contractor has been required to design and construct, or solely construct schemes. Work packages have ranged in size from £25k to multi million. Council scheme commissioners have found this a successful

delivery mechanism for appropriate schemes, and support procuring a future term contract to assist with delivery of the future programme of works. This would form one of a number of possible delivery routes for schemes. The choice of the most appropriate delivery route will be made on a scheme by scheme basis.

5. The current TCEC was awarded to Alun Griffiths Contractors Limited and commenced in February 2013. This contract has a financial ceiling of c£50m and a term of four years with the potential to extend for up to a further two years (ending February 2019). Extensions totalling twelve months have been awarded to date, making the current end date February 2018. It is anticipated the financial ceiling will be met by known projects and works and therefore the contract cannot be used for significant projects beyond those currently envisaged. The current contract requires the contractor to agree a target price for each package of work. It also includes a 'gain share' mechanism which provides the contractor with an incentive to identify efficiencies during the delivery of work. The efficiency is shared equally between WCC and the contractor.
6. The main projects delivered through the existing TCEC include; Bromsgrove High Street Public Realm, Eastham Bridge, Hoobrook Link Road, Southern Link Road, Worcester Six Offsite Highways, Structural Repairs.

## **Future Requirements**

7. Likely emerging and future infrastructure projects and works include; Churchfields, Pershore Infrastructure improvements, A38 Bromsgrove, Structural Maintenance, Public Realm, Active Travel Corridors, Congestion works and smaller works, e.g. crossings.
8. A delivery mechanism is required to deliver the range of projects and works outlined above. A new Term Engineering Contract could be considered for use to deliver some of these schemes.
9. The recommended procurement route is a similar contract to that used previously, albeit updated to use the new NEC4 form of contract, with target cost arrangements for a duration of four years with the potential to extend for up to a further three years dependent upon performance and value to the Council. The potential value of the contract is £75m however this does not commit the Council to that total value of work. Individual projects and pieces of work would only be awarded where a budget is available. There would be no obligation to award work.
10. The following summarises the main rationale for a Infrastructure Engineering Term Contract:
  - A significant future programme of schemes which do not all lend themselves to delivery via spot tenders or via the Highways Maintenance Service Contract;
  - A requirement for early contractor involvement in order to deliver best value schemes best suited to the users' needs;
  - A contract which can provide rapid delivery, particularly in emergency situations (such as Eastham Bridge);
  - A contract which enables projects to be commissioned simply, cost-effectively and efficiently;

- A contract that supports WCC's corporate objectives, in particular Open for Business, and the Public Services Act (Social Value) requirements.

11. The following summarises the main features of an Infrastructure Engineering Term Contract:

- The value of projects and works to be procured through this term contract is anticipated to be in the range £25k to £10m;
- For the delivery of smaller schemes up to £250k the use of a local supply base would form part of the Social Value requirement;
- The contract duration would be similar to the current term contract of four years with the potential to extend for up to a further three years;
- The Contract would provide for an Early Contractor Involvement service to WCC as part of the contract. A term contract would ensure this is provided early in the planning stages at a low cost exposure and creates an integrated relationship, increasing transparency, reducing risk, increasing shared responsibility and limiting costly changes to the project;
- Target Price / Actual Cost arrangements are proposed because this encourages good cost control, shared benefits of savings, transparency of accounting and clarity of final costs;
- This contract would include requirements to support WCC's Corporate Parenting promises in terms of providing work opportunities for the children and young people in our care. Examples of this could include; providing apprenticeships, work placements, shadowing and other work experience opportunities for children in care or care leavers.

### **Legal, Financial and HR Implications**

12. The contract is structured to award individual funded projects and pieces of work if the procurement strategy determines this as the most appropriate route to market for each piece of work. Although the OJEU ceiling limit will be stated as £75M, this does not commit the Council to that total value of work, it is simply the maximum value that could be awarded via the contract throughout its term. Individual projects and pieces of work would only be awarded where it is both the chosen delivery route and an approved budget is available. There would be no obligation to award work. Each project would be individually target-priced by the supplier.

13. There are no HR implications.

### **Privacy and Public Health Impact Assessments**

14. Nothing to add.

### **Equality and Diversity Implications**

15. An Equality Relevance Screening has been completed in respect of these recommendations. The screening did not identify any potential Equality considerations requiring further consideration during implementation

## **Contact Points**

### County Council Contact Points

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### Specific Contact Points for this report

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## **Background Papers**

In the opinion of the proper officer (in this case the Director of Economy & Infrastructure) there are no background papers relating to the subject matter of this report.