

**Date issued: 18 September 2020**

**Title: London Highway Maintenance and Projects Frameworks**

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**This paper will be published with the papers for the next meeting of the Finance Committee.**

## **1 Summary**

- 1.1 The purpose of this paper is to request the Procurement Authority required for TfL to enter into certain agreements to fulfil statutory duties and ensure a safe, reliable and resilient service is provided to customers across London. The framework agreements include the delivery of highway maintenance activities, low complexity capital projects and related works and services on and around the Transport for London Road Network (TLRN). They have been developed with consideration towards uncertainties around long term funding at TfL, where commitment via fixed prices is limited only to deliver essential highway works and services:
- (a) three framework agreements collectively referred to as the London Highway Maintenance and Projects Frameworks (LHMPFs); and
  - (b) three call-off contracts under the LHMPFs to deliver TfL's requirements from 1 April 2021 to 31 March 2029.
- 1.2 The use of Chair's Action is considered appropriate as a decision to enter into the agreements is required before the date of the next meeting of the Committee on 30 September 2020. This decision is critical to secure a required six-month mobilisation period, which will ensure supplier readiness to properly commence the works and services under the LHMPFs call-off contracts from 1 April 2021.
- 1.3 An appendix is included which contains exempt supplementary information. The information is exempt from publication by paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business affairs of TfL and is legally privileged.
- 1.4 The members of the Committee are asked to consider the proposal and provide Ron Kalifa OBE, as Chair, with their views on or before 22 September 2020. The contents of this paper and the exercise of Chair's Action will be reported to the next meeting of the Committee.

## **2 Recommendations**

**2.1 The Chair of the Committee, in consultation with the available Members, is asked to note this paper and the exempt appendix and:**

**(a) approve entering into the London Highway Maintenance and Projects Frameworks (LHMPFs) and the related call-off contracts with the winning suppliers and grant Procurement Authority of the amount set out in the exempt appendix, to do so; and**

**(b) note that full Financial Authority for the LHMPFs will be included in the 2020 TfL Business Plan and a further provision will be included should the extension option be exercised, for the period up to 31 March 2033.**

## **3 Background**

3.1 Surface Transport currently manages its supply chain requirements in support of business activities covering infrastructure inspection, operation, maintenance, renewals and enhancements through several contractual arrangements, which are due to expire on or around 31 March 2021. The LHMPFs are the first submission from this contract suite.

3.2 Delivery of highway maintenance activities, low complexity capital projects and related works and services on and around the TLRN are fundamental in ensuring that a safe, reliable and resilient service is provided to customers across London. Typical highway maintenance activities delivered include emergency call out, winter service, reactive repairs to highway assets, safety inspections and other routine and cyclic maintenance activities. Low complexity capital projects consist of the renewal of roads, footways, street lighting and drainage systems, minor junction improvements, including design and engineering surveys and investigations.

3.3 TfL has in place the existing London Highways Alliance Contract (LoHAC) which currently delivers these works and services. LoHAC commenced on 1 April 2013 and is due to expire on 31 March 2021, with no option to extend.

3.4 TfL is the highway authority for the TLRN and has a statutory duty under the Highways Act 1980 to maintain the public highway. The Traffic Management Act 2004 places a duty on TfL to 'manage the road network with a view to securing and facilitating the expeditious movement of people and goods', which includes the provision and maintenance of assets that support this activity. These duties are further expanded upon through national and international industry standards and guidance. The LHMPFs are required to ensure that TfL has the necessary capacity and expertise within the supply chain to fulfil these duties.

- 3.5 The LHMPFs will play a vital role in supporting the Mayor's Transport Strategy goals and Vision Zero targets, including:
- (a) healthy streets and healthy people – maintaining assets in a good condition, contributing to streets that are appealing and safe places to walk, cycle and spend time;
  - (b) a good public transport experience – maintaining assets in a good condition to support a safe and reliable network that encourages customers to use public transport and to make walking and cycling their preferred choice; and
  - (c) safe speeds, safe streets, safe vehicles and safe behaviours – supporting a holistic approach to delivery which recognises that all parts of the 'system' need to work in combination.
- 3.6 The current organisation, general industry and financial climates have been considered extensively in the development of the LHMPFs, notably around Covid-19 and TfL's current financial situation. Various provisions have been incorporated to safeguard TfL and deliver best value under the LHMPFs and the related TfL call-off contracts throughout the term.
- 3.7 An OJEU compliant procurement process under the Public Procurement Regulations 2015 was followed, using the Competitive Procedure with Negotiation (CPN). This provided TfL with the option to negotiate relevant aspects with the suppliers to optimise delivery solutions, explore cost savings and secure best value.

## **4 Framework Summary**

### **Framework Approach**

- 4.1 TfL is procuring the LHMPFs to deliver highway maintenance activities, low complexity capital projects and related works and services on the TLRN, London Borough roads and/or at other non-road locations. To ensure necessary suppliers' capacity and resilience to deliver this, the LHMPFs consist of three framework agreements each representing a different geographic area across London (Central, North and South). The geographic areas include contiguous areas that contain assets, for which TfL is responsible, pursuant to relevant highway legislation. TfL will enter into related call-off contracts under each framework agreement at or around the same time as entering into the framework agreements.
- 4.2 Identifying the optimum geographic split formed a key decision during development of the strategy. The reduction to three geographic areas, rather than the four geographic areas under LoHAC, ensures resilience is maintained whilst optimising attractiveness to the market. Analysis of current volumes delivered under LoHAC concluded that a single supplier would have the necessary capacity to deliver the requirements under the North area. This approach is expected to

deliver further efficiencies to TfL through optimisation of internal contract management and operational resources.

- 4.3 The critical nature of works and services to be delivered under the LHMPFs means that ensuring resilience in the event of the suppliers' poor performance or failure to perform or in the event of suppliers' insolvency was critical to the development of the strategy. The importance of resilience is evident when considering TfL's reduction in subsidy and subsequent reprioritisation of road maintenance and renewals in 2018. This led to a LoHAC supplier ceasing the delivery of its road maintenance and asset renewals services to TfL. Ensuring resilience was crucial at this time and safeguarded the delivery of these activities, which was subsumed by another LoHAC supplier, to continue providing a safe, reliable and resilient service to customers across London.
- 4.4 In order to achieve resilience under the LHMPFs, a single supplier will be awarded only one framework agreement and related TfL call-off contract, in respect of one of the three geographic areas, and such award is based on the solution which provides the best value to TfL across the three geographic areas.
- 4.5 The framework agreements and related call-off contracts are for an initial eight-year term, with the option to extend by a further four years. Due to the extensive nature of the highway network, with complex requirements and interfaces, significant supplier investment is required in assets and resources to deliver the requirements. Following consultation with the market, it was concluded that the duration would be the optimum period for suppliers to write down the cost of specialist fleet, secure appropriate premises at economic prices and obtain suitable return for training and other people-related investment, as well as develop the collaborative and integrated relationships with customers, that are necessary to drive continuous improvement, efficiencies and deliver best value to TfL.
- 4.6 To drive economies of scale and promote a collaborative approach across London, the LHMPFs will be open to use by TfL and other contracting authorities, including other members of the Greater London Authority group (including the London Legacy Development Corporation, Old Oak and Park Royal Development Corporation, the London Fire Commissioner and the Mayor's Office for Policing and Crime), London Boroughs and the City of London.

### **Evaluation and Supplier Selection**

- 4.7 A robust selection process was followed, with financial checks undertaken, to ensure that suppliers retain both the operational and financial capacity and capability to meet the requirements.
- 4.8 As part of the tender process, suppliers were required to submit initial tender submissions on 19 December 2019. These comprised full financial and quality submissions, which ultimately informed discussions during the subsequent negotiation stage. Following conclusion of the negotiations, suppliers were invited to review their initial submissions to reflect the outcome of negotiations and minor changes made to the tender documentation. Final tender submissions were

received on 7 July 2020. The outcome of the evaluation and recommendations is included in the exempt appendix to this paper.

### **Covid-19 Implications**

- 4.9 The impact of Covid-19 was highlighted as a key risk and identified as an area which could lead to considerable price uncertainty to both TfL and the suppliers over the course of the term of the LHMPFs and related TfL call-off contracts. Mitigation provisions have been incorporated (further details are set out in the contract report included in the exempt appendix to this paper), linked to Government guidance, with opportunity provided to suppliers to tender adjustments against their base rates and prices. These adjustments, obtained within a competitively tendered process to obtain best value, account for restrictions as a result of social distancing and other costs which may be incurred as a result of Covid-19. They will only apply when working restrictions are required in accordance with the Government guidance. Suppliers were therefore not required to price Covid-19 related risks within their tendered base rates and prices.

### **Mobilisation and Contract Readiness**

- 4.10 In recognition of the scale and complexity of mobilisation of a framework of this nature, a workstream is being progressed in collaboration with a wide range of stakeholders from across TfL. The key objectives of this workstream are to ensure contract readiness and implement a robust contract management plan, through a range of activities including training and systems development.
- 4.11 From the commencement of the process, provision of an adequate mobilisation period has been recognised as a key risk. It is regarded that the mobilisation of supplier premises from which key operational delivery activities are performed, the setup and interface of systems between the supplier and TfL and the appointment and training of key staff are time intensive activities. Acknowledging the current impact of Covid-19, there is a strong likelihood that this will provide additional challenges in ensuring a state of readiness exists to commence delivery of the works and services from 1 April 2021.
- 4.12 Achievement of a six-month mobilisation period prior to commencement of the works and services in April 2021 provides extensive opportunity for TfL's project management team to work closely with the suppliers to ensure excellent contract management principles are developed collaboratively and embedded into both the operational and commercial approach to the framework from the outset. Further, this provides necessary timescales for the successful mobilisation of operational premises, systems, plant and equipment and the training of staff.

## **5 Financial Implications**

- 5.1 The Financial Authority in the 2019 TfL Business Plan from 2020/21 to 2024/25 was based on LoHAC prices plus indexation. When the Revised Budget was completed for 2020/21, an uplift of 20 per cent was included in 2021/22. The full Financial Authority will be included in the 2020 TfL Business Plan and a further

provision will be included should the extension option be exercised which could extend the term to 31 March 2033.

5.2 Programme and Project Authority exists in two Programmes: (1) the Surface Transport Asset Renewals Programme; and (2) The Surface Transport Healthy Streets Programme, and was approved as follows:

- a) for the Surface Transport Asset Renewals Programme, the Project and Programme Authority was approved by the Committee in March 2020 for the period up to and including year 2021/22. The Programme will return to the Committee on an annual basis for authority approval; and
- b) for the Surface Transport Healthy Streets Programme, the Project Authority was approved by the Committee in July 2020 for the period up to and including year 2022/23. It is acknowledged that this includes a reduced value of Programme and Project Authority to that approved by the Committee in July 2019 due to uncertainty relating to Covid-19 and direction that the programme will take. The Programme will return at the next Committee meeting in October 2020 for further authority approval and is expected to return on an annual basis thereafter.

**List of appendices to this report:**

Appendix to this paper contains supplementary information that is exempt from publication.

**List of Background Papers:**

None.

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