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**Title: Surface Transport Infrastructure Construction
Framework**

This paper will be published with the next agenda

1 Summary

- 1.1 The purpose of this paper is to describe the procurement process that has been undertaken to appoint contractors to support the delivery of Surface Transport's medium to high complexity capital infrastructure projects and programmes, and to request related Procurement Authority.
- 1.2 The framework agreements include the delivery of projects on and around the Transport for London Road Network (TLRN), e.g. Cycleways, and for the renewal or enhancement of assets including bridges, tunnels and other highway structures. The framework agreements have been developed with consideration of uncertainties around long term funding for TfL, with a zero spend commitment. Those agreements are:
 - (a) five framework agreements collectively referred to as the Surface Transport Infrastructure Construction Frameworks (STIC); and
 - (b) call-off contracts under the STIC instructed for each individual project to deliver TfL's requirements from 1 April 2021 to 31 March 2027.
- 1.3 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 in March 2021. This decision is critical to secure a required six-week mobilisation period which will ensure supplier readiness to commence the works and services from 1 April 2021.
- 1.4 Appendix 1 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.
- 1.5 The members of the Committee are asked to consider the proposal and provide Professor Greg Clark CBE, as Chair, with their views on or before 12noon on 1 February 2021. 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 Surface Transport Infrastructure Construction framework agreements described in this paper and the related call-off contracts for Level 0 works and Level 1 works (also as described in this paper) with the winning suppliers and grant Procurement Authority of the amount set out in the exempt appendix;**
- (b) note that Procurement Authority to enter into call-off contracts for Level 2 works projects will be sought separately on a contract by contract basis in accordance with Standing Orders, as referred to in the exempt appendix; and**
- (c) note that the matters for which Procurement Authority is sought above include commitments that extend beyond the period of the Business Plan and Budget approved by the Board on 9 December 2020 and provision will, therefore, need to be made for those commitments in future Business Plans and Budgets.**

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. A new suite of contracts will begin 1 April 2021 to replace the existing contractual arrangements and manage these requirements. The STIC is in addition to and complements the London Highway Maintenance and Projects Framework (LHMPF) which will predominantly deliver maintenance of the highway and highway assets as well as low complexity small-scale asset renewals and enhancements. Procurement Authority for the LHMPF was granted by Finance Committee Chair's Action on 22 September 2020.
- 3.2** TfL has in place the existing London Highways Alliance Contract (LoHAC) and Civils Projects Framework (CPF) which currently deliver these capital projects and related works and services. LoHAC, which typically delivers small and medium complexity projects, commenced on 1 April 2013 and is due to expire on 31 March 2021, with no option to extend. CPF, which is used for delivery of high complexity projects, commenced on 1 April 2017 and expires on 31 March 2021. CPF does include an option to extend; however, this option is not being used in consideration of the strategy to implement the new Surface Transport contract suite from 1 April 2021.
- 3.3** The STIC will play a vital role in supporting the Mayor's Transport Strategy goals and Vision Zero targets, delivering medium and high complexity capital projects and related works and services on and around the TLRN, including:
- (a) healthy streets and healthy people – creating streets and street networks that encourage walking, cycling and public transport use and reduce car dependency and health problems it creates;**

- (b) a good public transport experience – renewing and enhancing assets 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.
- 3.4 TfL’s current organisational and project delivery structure and the external construction sector financial climate have been considered extensively in the development of the STIC, notably around the coronavirus pandemic, Brexit, works allocation and TfL’s current financial situation. Various provisions have been incorporated within the STIC structure and contract terms and conditions to address TfL requirements.
- 3.5 An procurement process under the Public Contracts Regulations 2015 was followed, using the Competitive Procedure with Negotiation. This provided TfL with the option to negotiate relevant aspects with the suppliers to agree terms and conditions, optimise delivery solutions, explore cost savings and secure best value.

4 Framework Summary

Framework Approach

- 4.1 TfL is procuring the STIC to deliver medium and high complexity capital projects and related works and services on the TLRN, London Borough roads and/or at other non-road locations. To ensure suppliers’ capacity and resilience to deliver this, the STIC consist of five framework agreements. There is a zero spend commitment for the frameworks and all work will be commissioned under call-off contracts.
- 4.2 The STIC is structured to align with the complexity of works and services that will be delivered through it. In order to achieve resilience in the event of supplier failure (e.g. insolvency) and to ensure sufficient competition for high value complex works, five suppliers will be appointed to the framework. The three highest scoring suppliers will be appointed as ‘Core Contractors’. The fourth and fifth ranked suppliers will be appointed as ‘Major Schemes Contractors’ and will be invited to compete for Level 2 works as described below.
- 4.3 The broad nature of works and services that will be delivered under the STIC means that a flexible approach to allocation and award of call-off contracts is vital. Works and services have been structured in three tiers of distinct works, as follows:
- (a) **Level 0 works** - these will be early contractor involvement works/services procured under the professional services contracts on a call-off basis. The call-off contracts will predominantly be relatively low value and short-term and will be awarded through rotation or mini-competition taking account of the value and potential conflicts of interest to any of the five framework suppliers.

- (b) **Level 1 works** – these are medium complexity works procured under the design and build call-off contracts and include repeatable works of the type previously delivered through the LoHAC contract described above. These works have been divided into packages of projects to be directly allocated to the Core Contractors only. The Major Scheme Contractors will not be allocated any Level 1 works but are intended to participate in the competition for high complexity Level 2 works and to provide resilience in the event of Core Contractor failure.
- (c) **Level 2 works** – these are high complexity works procured under the design and build call-off contracts that have previously been delivered through the CPF, Surface Transport’s framework for the delivery of high complexity capital projects. Level 2 works can be awarded to any of the five framework suppliers through mini-competition.
- 4.4 Core Contractors are appointed to the STIC to deliver the full scope of works comprising Level 0 works, Level 1 works and Level 2 works, as described in paragraph 4.3. Major Schemes Contractors are appointed to the STIC to deliver Level 0 works and to participate in mini-competitions for Level 2 works only.
- 4.5 Due to their high complexity and value, Level 2 works call-off contracts will be awarded following the completion of a mini-competition through the STIC and will be subject to individual requests for grant of Procurement Authority on a contract by contract basis.
- 4.6 The framework agreements are for a six-year term with no option to extend. 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 to 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.
- 4.7 To drive economies of scale and promote a collaborative approach across London, the STIC 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

- 4.8 As part of the tender process, suppliers were required to submit initial tender submissions on 25 August 2020. 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 25 November 2020. The outcome of the evaluation and recommendations is included in Appendix 1.

Coronavirus Pandemic Implications

- 4.9 The impact of the coronavirus pandemic 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 STIC and related TfL call-off contracts. Mitigation provisions have been incorporated (further details are set out in the contract report included in Appendix 1), linked to Government guidance, with specific contractual clauses included dealing with specific events relating to the coronavirus pandemic. They will only apply when working restrictions are required in accordance with the Government guidance or due to disruption to the supply of materials and equipment as a direct result of the coronavirus pandemic.

Brexit Implications

- 4.10 The impact of Brexit was similarly highlighted as a key risk, albeit one that could be anticipated by bidders. Having concluded that the most tangible risk is the disruption to the supply of construction materials and equipment being imported, the appointed contractors will be entitled to relief in the form of extension of time only. The framework rates and prices are subject to indexation on an annual basis which will track price increases linked to Brexit, e.g. through increased administrative costs of imports.

Mobilisation and Contract Readiness

- 4.11 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 to implement a robust contract management plan, through a range of activities including training and systems development.
- 4.12 From the commencement of the process, provision of an adequate mobilisation period has been recognised as a key risk. The planning needed for delivery to commence on 1 April 2021, the setup and interface of systems between the supplier and TfL and the appointment and training of key staff are time intensive activities. Further, to facilitate planning and preparation for project delivery, the allocation of Level 1 works will be communicated to the Core Contractors in advance of commencement of the works and services.
- 4.13 Achievement of a six-week mobilisation period prior to commencement of the works and services in April 2021 provides opportunity for Surface Transport teams 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 Financial Authority has been granted in the Business Plan and Budget approved by the Board on 9 December 2020 for projects to be let under the STIC. For future projects occurring beyond the 2020 Business Plan and Budget, provision will need to be made in the subsequent Business Plans and Budgets.
- 5.2 Programme and Project Authority already exists in two programmes: (1) the Surface Transport Asset Renewals Programme and (2) the Surface Transport Healthy Streets Programme 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; and
 - (b) for the Surface Transport Healthy Streets Programme, the Project Authority was approved by the Committee under Chair's action in November 2020 for the period up to and including year 2022/23. The Healthy Streets Programme will return to the Committee on an annual basis.

List of appendices to this report:

Appendix 1: Exempt supplementary information

List of Background Papers:

None

Contact Officer: Caroline Pallister, Head of Procurement and Supply Chain – Surface Operations; and
Nick Fairholme, Director of Project and Programme Delivery,
Surface Transport

Number: 07734 004348; 07715 428149

Email: carolinepallister@tfl.gov.uk; nickfairholme@tfl.gov.uk