

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Sustainability, Procurement and Efficiency Portfolio Holder 23 July 2009
AUTHOR/S: Corporate Manager for Health and Environmental Services / Drainage Manager

TENDERING RESULTS FOR AWARDED WATERCOURSES SERVICE

Purpose

1. To outline the background and result of the tendering exercise for the Awarded Watercourses Service and to make recommendations on the appointment of a contractor to undertake the works for at least the next five years.

Background

2. The Council has a statutory duty to maintain approximately 275 km (175 miles) of Awarded Watercourses in the South Cambridgeshire District.
3. In 1998, David Noble and Associates was commissioned to undertake a review of the service in order to inform future decisions on procurement. The report outlined the extent of the complex system of watercourses maintained by the Council and the advantages and disadvantages of 'contracting out' the service. The Noble report confirmed the manual work was not favoured by the private sector and recommended careful consideration be given to this element when deciding on procurement. Private contractors might be expected to show interest in the mechanised elements of the works and it might prove beneficial to use contractors in certain circumstances. At that time members decided not to expose the service to open competition.
4. However, Members have continued to have concerns over the operational costs of the service and wished to be assured that best value for the Council was being attained through the in-house service delivery model. Accordingly, at the Cabinet meeting of 11 September 2008, Cabinet resolved:
 - (a) to undergo a competitive tendering process and obtain tenders for the works from external contractors and the in-house service;
 - (b) that the tenders so obtained are for all the separate aspects of the works such that the maximum flexibility may be used in the evaluation of the tenders. The contract length to be five years extendable by mutual agreement for a further two. It may then prove beneficial to use a combination of external contractors and a portion of the in-house service.
5. The Corporate Manager – Health & Environmental Services has the delegated authority, under the Council's Constitution, to accept the lowest tender provided it is within the budget estimate, therefore he could have accepted the in-house bid without reference to the Portfolio Holder but decided to refer the matter up (as per officer delegation rule 1.4.3) because of the amount of member interest in the tender exercise and outcome.

Considerations

6. The value of the five-year contract was estimated at £900,000 and under the Council's Contract Regulations it was necessary to follow the EU tendering procedure.
7. Some Members felt that certain aspects of the work would be of interest to the local farming community and that a number of local farmers would come forward and offer competitive rates so that overall costs might be reduced. Therefore the invitation for expressions of interest was worded to allow for potential contractors to bid for particular aspects of the work, for the works as a whole, or both.
8. There were twenty-five expressions of interest in tendering for the works and all of these were provided with a Pre-Qualification Questionnaire (PQQ) for assessment. A total of twelve PQQ's (including the in-house application) were returned, none from the farming community.
9. Following an evaluation by the Council's Procurement Officer and Drainage Manager, five contractors were deemed suitable and these were invited to tender for the works.
10. The Environmental Services Portfolio Holder was kept up to date as the tendering exercise progressed (Portfolio Holder meetings on the 27 January 2009 and 24 March 2009 refer). The Portfolio Holder approved the final list of five contractors to be invited to tender and the contract documentation including the evaluation criteria, specification and pricing documents on the 24 March 2009.
11. Four out of five tenders were returned by the due date, 15 May 2009 at 12.00 noon.
12. Three contractors, including the in-house bid (prepared by the Environment Operations Manager assisted by an external consultant), tendered for the whole of the works as a single package and one private contractor bid for flail mowing works only.
13. The Council's Procurement Officer, assisted by specific specialist staff, evaluated each of the four bids against the previously agreed evaluation criteria. His independent report of the results of this evaluation is attached to this report at **Appendix 1**.
14. The results of this evaluation are summarised in the table below:

Company	Evaluation Score (Out of 100)	Evaluation Ranking	Tender Price
South Cambridgeshire DC	84.60	1	£179,476
Company A	54.98	2	£349,248
Company B	46.86	3	£508,686
Company C – Flailing works only	18.25	4	£130,920

15. On examining the final scores provided by the Procurement Officer, the in-house bid stands out from the remainder both in terms of price (close to half of nearest external private contractor's tender) and on issues of quality / capacity. The in-house bid therefore offers the Council best value.
16. The in-house bid demonstrated a superior understanding of the knowledge and experience required, service availability and delivery issues, contract management,

works programming, staff supervision and customer relations issues. Additionally, they will continue to provide a staffing resource during flood emergencies.

17. The in-house proposals were analysed and profiled against the 2009/10 budget for the service. The analysis shows variations in the component parts of the tender but it is in line with the total expenditure in the 2009/10 budget estimate. The tender exercise has not resulted in substantial savings to the budget.
18. The in-house bid has been put forward on the basis that changes are made to working practices, terms and conditions and numbers of permanent posts on the establishment. The service will be directly managed as at present. Up until last year four members of staff have provided the service; however, following the resignation of the hydraulic excavator driver, it was decided to hire in a driver on a temporary basis for a three-month period and to freeze the post on the establishment. This temporary arrangement will be made permanent and the hydraulic excavator driver post will be removed from the Council's establishment.
19. In the past there has been approximately a three-month period when works on the awards has had to be suspended (i.e., during the bird nesting season). Traditionally the workforce has been transferred to other Council duties and their costs paid for by the service they were temporarily transferred into, e.g., Street Cleansing. The in-house bid has been submitted on the basis that all operatives will change their terms and conditions of employment in order to adopt 'Annualised' hours of work. It is proposed to continue to work up to 60 hours per week during the flail mowing season. The extra hours worked would then be used to calculate time off in lieu during the relatively quiet months of April, May and June towards the end of the season. Overtime will no longer be payable and the staff will receive the same salary at the end of each month irrespective of the number of hours worked.
20. The 2009/10 budget estimate was set on the basis that salary savings would accrue as a result of changes to working practices (achieving a reduction over the 2008/09 estimate on salaries of circa £29,600) and, as a result, savings accrued through the above changes to working conditions, etc., attached to the procurement process have already been taken into account when the 2009/10 budget was approved earlier in the year.

Options

21. The quotes obtained clearly demonstrate there is no financial advantage to externalisation of the works. Additionally, the quality of the method statements obtained for the works and the lack of local knowledge of private contractors indicates that the level of financial, legal and other risks to the Council would increase.
22. The Procurement Officer in his report (**Appendix 1**) also points out that, as the EU procurement procedures have been followed, resulting in a clear lowest bid which is also of the highest quality, there are no other suitable alternative options in response to these results.

Implications

23.	Financial	As within the body of the report. The tender is within the 2009/10-budget estimate for the service and the tendering exercise has not resulted in substantial savings being achieved. The in-house tender has shown substantial savings over external contractor bids.
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Legal	As included in the report
Staffing	As per paragraphs 18 and 19 above
Risk Management	The in-house tender represents the least risk option for the Council.
Equal Opportunities	The Council's employment policies will be applied.

Consultations

24. The Principal Solicitor, Accountant and Procurement Officer have been consulted.

Effect on Strategic Aims

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| <p>Commitment to being a listening council, providing first class services accessible to all.</p> <p>The function of Awarded Watercourse upkeep and maintenance is at the forefront of the prevention of flooding and is a service that is at the heart of enhancement of our drainage system. The procurement process has provided evidence that the Council is achieving best value through the in-house delivery model.</p> |
| <p>Commitment to ensuring that South Cambridgeshire continues to be a safe and healthy place for all.</p> <p>Awarded Watercourse upkeep and maintenance reduces risks and plays a part in the welfare of South Cambridgeshire residents.</p> |
| <p>Commitment to making South Cambridgeshire a place in which residents can feel proud to live.</p> <p>Awarded Watercourse upkeep and maintenance contributes towards this aim by ensuring the effective drainage of the area as well as ensuring wildlife and environment issues are incorporated within maintenance programme.</p> |
| <p>Commitment to assisting provision for local jobs for all.</p> <p>The service provides local jobs.</p> |
| <p>Commitment to providing a voice for rural life.</p> <p>Awarded Watercourse upkeep and maintenance reduces risks of flooding and ensures the effective drainage of the rural landscape.</p> |

Conclusions / Summary

26. The tendering process has been a worthwhile exercise and has demonstrated that Best Value for money is being obtained. It has confirmed the in-house service provision to be the most economically advantageous method of complying with the Council's statutory duty and is in line with approach A5 of the Council's corporate Aims, Approaches and Actions.

Recommendations

27. It is recommended that the Sustainability, Procurement and Efficiency Portfolio Holder:
- award the contract to the South Cambridgeshire District Council in-house team as the lowest bid and the Most Economical Advantageous Tender; and
 - note the changes contained in paragraphs 18 and 19 of this report.

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