

Approval to Extend the Supply of Precast Concrete Kerbs and Flags Contract to 2023

Date: August 2022

Report of: Highways & Transportation Procurement

Report to: The Chief Officer (Highways & Transportation)

Will the decision be open for call in? ☐ Yes ☒ No

Does the report contain confidential or exempt information? ☐ Yes ☒ No

Brief summary

This report seeks approval from the Chief Officer (Highways & Transportation) to extend the Supply of Precast Concrete Kerbs and Flags Contract for a further 12 months to 11th August 2023 with a contract variation to the price increase.

Recommendations

The Chief Officer (Highways and Transportation) is requested to;

- a) Note the contents of the report;
- b) Approve the recommendation to extend the Supply of Precast Concrete Kerbs and Flags Contract for an additional 12 months to 11 August 2023 with Aggregate Industries UK LTD T/A Charcon Hard Landscaping and Marshall Mono. The estimated annual spend is around £480,000.00; and
- c) To approve the contract variation allowing a higher percentage increase than stated in the contract documents.

What is this report about?

- 1 This report seeks approval from the Chief Officer (Highways & Transportation) to extend the Supply of Precast Concrete Kerbs and Flags Contract for a further 12 months to 11th August 2023 and to vary the Annual Price Mechanism offered to allow the suppliers to stay on the contract.
- 2 This is the second and final extension possible under Clause 3.2 within the contract. This takes the total contract period to 4 years and requires retendering when it expires.
- 3 The contract extension will start from 12th August 2022 for a one-year period until the 11th August 2023 with the incumbent contractors Aggregate Industries UK LTD T/A Charcon Hard Landscaping and Marshall Mono who have agreed to the proposed extension.
- 4 Keyline Builders Merchants Limited withdrew from the contract during the final stages of the extension process last year, citing their current pricing against the rapidly changing market and being unable to fix any costs for the full term.
- 5 As per the contract, the appointed contractors had the opportunity to review their rates and were offered a 9.1% increase based on CPI for May 2022.
- 6 Upon receipt of the extension offer, Marshall Mono brought to our attention that they have had 3 separate price increases to the wider market resulting in an aggregated increase above 9.1%. Leeds City Council and the other Local Authorities that use the contract were protected from these increases by the current agreement but the offer of 9.1% will not cover their increased costs.
- 7 Aggregate Industries have also reached the point where they can no longer sustain their supply without passing on the increased costs. They have requested a higher percentage increase than offered which will be monitored and reviewed to see if it can be reduced at any point until the contract expires and the suppliers have the opportunity to provide new rates.
- 8 It is recommended that the Council agree to an increase above the CPI offered for the final year of the contract. This will be reviewed on a regular basis, in line with inflationary pressures and current market conditions with any cost savings being passed on.

What impact will this proposal have?

- 9 The proposed extension of this contract will provide an efficient method of procuring these materials.
- 10 The proposed increase to the price is considered to be value for money in order to ensure a reliable supply of these materials and the approach is consistent with the aims contained within the Council's Spending Money Wisely Policy.
- 11 This contract is necessary to ensure Leeds City Council's ability to procure kerbs and flags used on the highway.
- 12 The Direct Labour Organisation (DLO) use the contract to carry out a variety of essential statutory duties maintaining highway infrastructure. Without the contract, we have no compliant way of procuring these essential materials.
- 13 During the original tender of this contract, it was also considered not applicable for an equality, diversity, cohesion and integration screening assessment to be undertaken.
- 14 The proposals requested in this report have no direct impact on any of the equality characteristics as it is purely an administrative function and therefore it is still not applicable to carry out an equality, diversity, cohesion and integration screening at this time.

How does this proposal impact the three pillars of the Best City Ambition?

☒ Health and Wellbeing

☒ Inclusive Growth

☒ Zero Carbon

- 15 Well planned maintenance of the highway infrastructure will enable people to easily move around the city encouraging health and wellbeing and inclusive growth.

- 16 This contract is to provide materials for highway and footway repairs across all Yorkshire Highway Alliance Areas. Continuing to maintain the highway infrastructure is essential to providing highway users with efficient and safe transport links to drive, walk and cycle on.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?

☐ Yes

☒ No

- 17 Consultation has taken place with the DLO who have confirmed their need for this contract to be able to deliver their service and are satisfied with the performance of the incumbent contractors.

What are the resource implications?

- 18 The proposal to extend the contract is judged to be value for money and is an effective use of council resources.
- 19 The estimated annual spend is around £480,000.00. This is a schedule of rates contract with no guarantee of any orders being placed.
- 20 It has been considered and confirmed that appropriate funding provision is available from both capital and revenue budgets as and when the service is required.

What are the key risks and how are they being managed?

- 21 This contract is necessary to maintain continuity on the ability to procure these types of materials, it is essential that this contract is extended before the existing arrangement expires.
- 22 If the rates are not increased, the contractors would not be able to guarantee supplying the materials and the increased financial pressure could result in them withdrawing from the contract and leaving the Authority at risk of being unable to carry out essential statutory duties maintaining highway infrastructure.

What are the legal implications?

- 23 There are no specific legal implications arising from this report. All activities relating to the proposed contract extension have been executed strictly in accordance with the Council's Contract Procedure Rules.
- 24 Extending the contract is a direct consequence of the initial authority to procure and should be treated as a significant operational decision, as such it is not eligible for call in.

Options, timescales and measuring success

What other options were considered?

- 25 The extension of this contract is an efficient use of council resources and is judged to be value for money in comparison to tendering individual orders or contracts.
- 26 The extension will allow us to keep using the compliant contractors we procured at the first time of tendering on the same terms and conditions and retendering is unlikely to result in any additional savings.

How will success be measured?

- 27 This collaborative contract is a new version of a previous supply contract which was considered to be a successful joint venture with the other Local Authorities, now known as the YHA. It saved procurement staff time and offered contracted suppliers the opportunity to offer rates

based on the anticipation of receiving larger orders than if each Council tendered individual contracts.

What is the timetable and who will be responsible for implementation?

28 The contract extension needs to be in place before the contract expires 11th August 2022

Appendices

- N/A

Background papers

- N/A