

# Transforming London's Highways Management Newsletter



## Foreword

By Martin Smith  
and Dana Skelley



### Tenders Invited for London Highways Alliance Contract, LoHAC

The invitation to tender was dispatched to our 10 shortlisted contractors on target at the end of February, with tenders due to be returned on 31 May 2012. This is a fantastic milestone and seems an age away from the board receiving the business case and agreeing to progress a pan-London contract back in 2010.

A considerable number of people have participated in the programme and we would like to thank everybody involved in the development of the LoHAC specification and contract: Jim De Souza, David Baker, Demos Kettenis, Edward Burton, Cillian Daly, Geoff Campbell, Marcus Hobley, Joseph Kennedy and Bjarni Gunderson. Thanks also to all the borough staff who have given their time and expertise.

Our focus is now firmly on the award, mobilisation and governance of the contracts which were the subject of two key decision papers discussed at the board meeting in March.

Movement towards the transition has already started. The board has extended invites to a further three councils who are expected to be among the first authorities to use the contract from 1 April 2013. This will ensure adequate board representation from all four contract areas.

As you are probably aware, Martin Sachs - who has been a member of the board since its inception - retired from Lambeth at the end of March. Alongside the board, we would like to wish him all the best and offer our sincere thanks for his considerable support over the last few years.



## Transforming London's Highways Management Newsletter Issue ten - May 2012

If you would like to contribute to this newsletter please contact Chris Tunstall on 07595 303 904 or email [tunstallassociates@talktalk.net](mailto:tunstallassociates@talktalk.net)

# In focus

### **With the tenders out, we are dealing with contract queries.**

Following the contract dispatch on 29 February, we held a tender briefing on 23 March which was attended by nine of the 10 tenderers and seven of the first tier authorities. Although a number of questions were asked about TUPE and the role of the area boards, no major concerns were identified.

One to one meetings are also being held between the bidders and first tier authorities to enable the bidders to gauge the likely extent of the take up and individual authority requirements.

In the meantime, we have started receiving queries. Initially these have mainly related to TUPE, but we expect that to change as the more detailed pricing of the document kicks in.

The general feedback to date from the bidders has been positive. They have particularly appreciated our openness and really valued the one to one meetings.

The deadline for tender responses is 4pm on 23 May 2012.

Until then, our attention will be on the evaluation of the returns, the award, mobilisation, and subsequent governance of the contracts.

### **Evaluation Process**

The initial evaluation of the returns will be in June, with the full evaluation of the quality and financial submissions taking place in July. The aim is to complete them

before the London 2012 Olympic and Paralympic Games begin on 27 July.

Subsequently, multiple bids will be considered after which Best and Final Offers will be sought. The results will be received by the programme board for approval on 9 September.

The quality evaluation will be undertaken by four groups of borough and TfL representatives, one for each contract area, supported by a team of specialists in health and safety, equality and diversity, TUPE and more specific work areas including structures, tunnelling, and environmental.

Finance will be assessed by just one team which will consider all four contract areas.

### **Governance Transition arrangements**

In line with the proposed 'Contract Governance Structure' (TLH.CSC.005.V4.July2011), which was also set out in Schedule 9 of LoHAC Annex A, we have started to look at the key framework and partnering manager appointments and the arrangements necessary to allow a well managed transition from the current initiation and planning stages of the project to the delivery stage. The contracts will be awarded in November/ December 2012, and start on 1 April 2013.

First tier authorities are also being asked to confirm their specific contract approval processes and arrangement requirements.

Contact Steve Dennis at [steven.dennis@tfl.gov.uk](mailto:steven.dennis@tfl.gov.uk)

# In brief

## Highways system – Part II workstream

Analysis of costs and support models has been completed, as has the initial business case model for Vendor Hosted service. Business case models for other support models are being prepared.

IT is anticipated that a first draft of the report will be presented to the May meeting of the Programme Board.

Contact Phil Snowling at  
psnowling@snowling.uk



## Open Book Cost Management (OBCM)

This project has been completed with the final report on implementation and resourcing requirements accessed at:

[www.lgtag.com/index.php/projects-public/52-lotag/tlhm-programme/tlhm-highways-cost-modelling/402-tlhm-open-book-cost-modelling-implementation-plan](http://www.lgtag.com/index.php/projects-public/52-lotag/tlhm-programme/tlhm-highways-cost-modelling/402-tlhm-open-book-cost-modelling-implementation-plan)

Contact Steve Dennis at  
steven.dennis@tfl.gov.uk

## Creating the Culture for Delivery

At the last Cultural Change Group meeting, the retiring Martin Sachs was congratulated for his work with the Group; he is succeeded by Martin Holland of Islington as chair.

The last board was jointly held with the Industry Sounding Board (ISB). All parties identified the need for:

- Common LoHAC branding
- Joint training
- A clear understanding of all parties' aspirations and expectations
- Communications to carry Alliance Branding and messages (particularly promoting customer focus)
- Surveys of residents about the impact of any works and completed schemes

- The use of focus groups to identify public satisfaction with services
- Monitoring complaints and commendations across the Alliance
- Regularly reviewing and identifying common problems to develop solutions
- Celebrating and publicising successes

Discussions have also been held with the Department for Transport (DfT) about the potential for our 'Changing the Culture – Training and Communication' proposals to be developed into a national toolkit. The proposal achieved agreement in principle at the last Highway Maintenance Efficiency Programme (HMEP) board meeting to be developed in conjunction with Jason Russell who chairs Workstream 2 – Business Improvement.

Contact Martin Holland at  
martin.holland@islington.gov.uk

## e-Auctions

An e-Auction case study has been published and can be found at

[www.lgtag.com/index.php/projects-public/53-lotag/tlhm-programme/tlhm-e-auctions](http://www.lgtag.com/index.php/projects-public/53-lotag/tlhm-programme/tlhm-e-auctions)

## London Councils TEC Report

A report on the progress of the TLHM programme was presented to the Transport and Environment Committee on 15 March. The report can be found at:

[www.lgtag.com/index.php/projects-public/47-lotag/tlhm-programme](http://www.lgtag.com/index.php/projects-public/47-lotag/tlhm-programme)

# Case study

## London Highways e-Auction for street lighting

### Delivering cashable savings from procurement and commissioning



#### Summary

Recent tests by the Transforming London Highways Management (TLHM) and Transport for London (TfL), has proven that the e-Auction is an effective way of reducing unit costs while retaining appropriate quality standards. The TLHM, which modernises procurement arrangements for highway maintenance across London's 33 boroughs, and TfL, were keen to test the ability of e-Auctions to deliver cashable savings in the acquisition of lamps, columns and electrical testing and inspection.

Although the volumes put forward for testing were limited, they found that the 19 authorities that took part could make cashable savings of around £270k a year. A Return on Investment (ROI) of at least 11:1. This would increase to £500k a year if all 34 authorities took part, with an ROI of 20:1.

#### What happened?

The concept of using the e-Auction was initially proposed by Transforming London's Highway Management board members, Ken Cole (Capital Ambition) and Zerrin Lovett (Cabinet Office Efficiency and Reform Group), as a potential way of substantially reducing costs. They then approached Keith Gordon at the West Midlands Regional Improvement and Efficiency Programme (WMREIP), who were also interested in carrying out similar testing.

Keith explains: "We had been looking to do this for some time, so the London approach was timely. We decided that the Eastern Shires Purchasing Organisation (ESPO) was the best placed to undertake this exercise at the end of 2010 and went about producing the common specifications."

TLHM's Programme Director, Chris Tunstall said, "we looked at the market for each area and the wide variation of unit costs that individual London authorities were paying for identical equipment and this fitted the criteria exactly for an e-Auction."

The competition process took place in 2011 culminating in an e-Auction in August 2011. Three London Frameworks were put in place to meet the requirement:

- Lamps – ESPO contract 59 – Four framework suppliers with prices for premium and alternative grade 35, 55, 90, 135W SOX and 50, 70, 100, 150, 250W SON. There are no extra over charges.

Based on an analysis of returns of existing authority prices for the most commonly used lamp – 70watt SON directly comparable savings of 13% can be achieved with an average saving of 10%.

- Columns – ESPO contract 257A – Four framework suppliers for London with prices for 5, 6, 8, 10 and 12m Columns (post top column only, no bracket arms) for 5 column types, extra light XL through to extra heavy XH. There are extra over charges for differing paint finishes, bitumen coated root and root types with a minimum quantity surcharge for fewer than 50 column orders. As most authorities purchase columns with bracket arms direct price comparisons are difficult however for directly comparable columns savings of between 13 and 27% can be achieved.
- Electrical Testing and Inspection – ESPO contract 314 – Six framework suppliers with additional prices for structural testing, cleaning, data collection and various different types of repair. The prices are volume related so can attract significant volume discounts depending on the size of the order. From analysis of previous returns an average saving of 40% can be achieved based on the lowest tender price received with a still healthy 20% on the second cheapest rate (based on orders of 1500+ units)

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# Case study

## Joining the contract?

The contracts are for two years from September 2012 for Lamps and Columns and December 2012 for Electrical Testing and Inspection, with a possible two year extension. The contract is open, at no charge, to all London local authorities including the City of London and TfL. Details can be obtained by either registering on the ESPO website or by contacting the relevant ESPO contact in the contact details below.

Where authorities have a works contract with a contractor for the maintenance of street lighting that includes the supply of the lamp/ column, the framework allows for the works contractor to access the framework agreement on the same terms and conditions.

Further competition for the provision of alternative lamps can simply be undertaken by securing formal quotations from some or all of the suppliers listed on the framework agreement.

There is no need to go through the Notice and PQQ process again as the Framework suppliers have already been through a rigorous tender and evaluation procedure to ensure value for money and fitness for purpose.

## What next?

The e-auction was a great success, but there are opportunities to do even better as experience with other categories such as commercial fleet has shown. Zerrin Lovett from ERG said, "Many authorities struggled to provide unit costs, particularly where they used works contractors. This is a well known area where significant mark ups can be, and are made, through inadequate pricing transparency."

There is also an opportunity to create wider e-auction enabled frameworks so that highways organisations in local government can link with the central government Highways Agency to standardise on material ranges and aggregate volumes. TLHM is already exploring this possibility and moving in the future to a winner takes all approach. Chris Tunstall explained that, "e-Auctions that use this approach tend to get even keener pricing as volumes are larger." He added, "We have proved beyond doubt that e-Auctions must feature in the thinking of any local authority whether they are an in-house operation or fully outsourced. Relying on contractors to aggregate requirements and then pass on reduced costs is not an option for savings delivery. In the new London Highways Alliance Contract we've overcome this by requiring contractors in future to use e-auctions where savings can be shown to be achieved."

## Contacts

### ESPO

[www.espo.org](http://www.espo.org)

To register go to:

[www.espodealingdirect.org/signup.aspxemail](http://www.espodealingdirect.org/signup.aspxemail) or [marketing@espo.org](mailto:marketing@espo.org) or 0116 2657927/ 0116 2944026

### To discuss specific contracts:

#### Lamps

Glenn Clarke (ESPO Buyer)  
[g.clarke@espo.org](mailto:g.clarke@espo.org)  
0116 265 7898

#### Columns

Gareth Smith (ESPO Senior Buyer)  
[gr.smith@espo.org](mailto:gr.smith@espo.org)  
0116 265 7890

#### Electrical Testing & Inspection

Louise Gallagher (ESPO Senior Buyer)  
[l.gallagher@espo.org](mailto:l.gallagher@espo.org)  
0116 294 4070

#### TLHM

[www.lgtag.com/index.php/projects-public](http://www.lgtag.com/index.php/projects-public)

Chris Tunstall (Project Manager)  
[tunstallassociates@talktalk.net](mailto:tunstallassociates@talktalk.net)  
0759 530 3904

