

# BRIDGEND COUNTY BOROUGH COUNCIL

## REPORT TO CABINET

19 JULY 2022

### REPORT OF THE CORPORATE DIRECTOR COMMUNITIES

#### 2020 – 2023 CARRIAGEWAY RESURFACING PROGRAMME

#### 1. Purpose of report

- 1.1 The purpose of this report is to seek Cabinet approval to modify the contract for carriageway resurfacing for works to be undertaken during the financial year 2022/23.

#### 2. Connection to corporate well-being objectives / other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective under the **Well-being of Future Generations (Wales) Act 2015**:-

- **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

#### 3. Background

- 3.1 The procurement of resurfacing of the Highway Network was undertaken through South East Wales Highway Framework, via a mini-competition and tender process in March 2021. The procurement exercise was undertaken in conjunction with the Corporate Procurement team. The contract was awarded to Centregreat Limited and runs from April 2021 to March 2022 with an option to extend the contract for a further 12 months to March 2023 on the parties' mutual agreement. The contract provides the mechanism for the resurfacing of the Carriageway Network in accordance with the allocated Capital and Revenue budgets for Resurfacing (Revenue spend related to 2021-22 only). The total value of the contract is estimated as £5,000,000 over the two financial years.
- 3.2 Significant inflationary pressures in general, and in particular to the oil prices caused by global events, coupled with the UK government increasing National Insurance Contributions for employers to fund a Health and Social Care levy have created a significant cost increase in material, labour and plant (machinery) costs.

#### 4. Current situation / proposal

- 4.1 The contractor for the works has approached the authority in light of exceptional inflationary increases and has requested an uplift to the fee rates to enable them to maintain the same levels of performance during the extension period. The total cost increase sought is being applied to the costs associated with the operations in 2022/23. It equates to a cost increase of 8.93% over the whole term of the contract.

- 4.2 The contract rates for resurfacing are made up from material, labour, plant and sub-contractor costs (which also have elements of material, labour and plant). Material costs are affected by the increase in oil which is a significant proportion of the tarmacadam material. Labour costs have increased due to the National Insurance employer's contribution element. Plant usage relies heavily on diesel and hence fuel cost increases have had a significant effect.
- 4.3 Cardiff City Council Procurement officers who oversee the South East Wales Highway Framework, under which framework this contract was awarded, have confirmed that, further to representation from contractors on the framework, agreement has been made for the submission of increases to the standard rates across the framework.
- 4.4 Rule 3.3.6 of the Council's Contract Procedure Rules (CPRs) provides that procured contracts may be modified without the requirement for a new procurement procedure where the value of the modification is below both the relevant applicable financial thresholds contained in the Public Contracts Regulations 2015 and below 15% of the initial contract value for works contracts, provided that the modification does not alter the overall nature of the contract.
- 4.5 The applicable threshold for works contracts contained in the Public Contracts Regulations 2015 is £5,336,937 and 15% of the initial contract value of £5,000,000 in this instance would be a value under £750,000. The 8.93% (£446,500) cost increase being sought for continuation of the contract during the extension period is below both thresholds. The effect on the contract rate increase will not require an increase in the budget requirement for the project/programme. The approved capital budget of £5,000,000 remains unchanged however the increased cost will impact on the extent of the programme that can be delivered and works will need to be altered or removed to ensure the budget allocation is not exceeded.
- 4.6 Rule 3.6 of the Council's Contract Procedure Rules indicate that where the value of the modification of an existing contract exceeds £100,000, approval of the modification must be obtained from the appropriate body which in this case is the Cabinet of the Council.

## **5. Effect upon policy framework and procedure rules**

- 5.1 The recommendation of the report is in line with the Council's Contract Procedure Rules.

## **6. Equality Act 2010 implications**

- 6.1 An initial Equality Impact Assessment (EIA) screening has identified that there would be no negative impact on those with one or more of the protected characteristics, on socio-economic disadvantage or the use of the Welsh Language. It is therefore not necessary to carry out a full EIA on this policy or proposal.

## **7. Well-being of Future Generations (Wales) Act 2015 implications**

7.1 The Well-being of Future Generations (Wales) Act 2015 Assessment Template has been completed and a summary of the implications from the assessment relating to the five ways of working is outlined below in respect of the proposal:

- **Long-term**  
The intention is to provide for the maintenance of the highway that will benefit the travelling public.
- **Prevention**  
Effective maintenance of the highway mitigates risk for the travelling public and maximises the lifespan of the asset.
- **Integration**  
The effective management of the highway benefits all modes of highway use including safety of pedestrians as well as the connectivity of cyclists, bus and motor vehicles that provides benefit to the wellbeing and economy of the community.
- **Collaboration**  
As the maintenance will be delivered through a contracted service procured through the South East Wales Highway Framework the requirements of the framework requires the implementation of socio economic benefits.
- **Involvement**  
Decisions in relation to the maintenance of highways is derived from a number of sources including highway surveys as well as issues arising from the public and members bring concerns to the attention of the highway authority for consideration within the maintenance programme.

## **8. Financial implications**

8.1 There is no additional finance required as the costs associated with the highway surfacing contract have and will be met from within the existing capital allocation for the financial years 2021/22 £2.34M and 2022/23 £2.66M within the Capital Programme. The increased costs will impact on the extent of the programme that can be delivered and works will need to be altered or removed to ensure the budget allocation in the Capital Programme is not exceeded.

## **9. Recommendation**

9.1 It is recommended that Cabinet:

- Approves the contract modification in accordance with rules 3.3.6 and 3.6 of the Council's Contract Procedure Rules.

**Contact Officer:** Kevin Mulcahy – Group Manager Highways & Green Spaces

**Telephone:** 01656 642535

**E-mail:** kevin.mulcahy@bridgend.gov.uk

**Postal Address:** Bridgend County Borough Council, Communities Directorate, Angel Street, Bridgend, CF31 4WB

**Background documents:** None