

---

**Report to CABINET**

## **Plant Hire Contract**

**Portfolio Holder:** Councillor Ateeque Ur-Rehman, Cabinet Member for Neighbourhood's Services

**Officer Contact:** Carol Brown, Environmental Management

**Report Author:** Stephen Aikman, Operations Manager  
**Ext: 4417**

**19<sup>th</sup> August 2019**

---

### **Reason for Decision**

The purpose of this report is to seek approval for the awarding of a Framework Agreement to cover the annual, seasonal and ad hoc requirement within the Highway Operations for the provision of a range of hired plant and equipment.

### **Executive Summary**

The plant hire framework will be established over 5 years and is essentially a framework for the Highways Operations team to hire various plant, equipment and skilled operatives to cover the annual, seasonal and ad hoc requirements within the Highway Operations service. The contract is divided into six lots with various suppliers in each lot which allows the flexibility to complete various projects.

### **Recommendations**

The recommendation is that the Plant Hire Framework Agreement is awarded to the suppliers indicated in the table below and are based on the most economically advantageous tender.

**Plant Contract****1 Background**

1.1 The intention is to form a Framework of suppliers, which will ensure availability of all plant and equipment. The Agreement will be administered and the work allocated by the individual service areas as they see appropriate. Being selected as one of the prospective suppliers on the Framework Agreement would in no way guarantee an allotted amount of work during the contract period.

**2 Current Position**

2.1 The tender was conducted using the open procedure and Invitation to Tender Documents (ITTs), were issued to those organisations expressing an interest.

2.2 The framework was divided up into six separate 'Lots' with the intention being to create genuine competition within each 'Lot' to ensure that Oldham Council maximised the potential opportunity for savings.

2.3 An advert was placed in the Official Journal of the European Union (OJEU) on 21<sup>st</sup> January 2019.

2.4 A total of 48 organisations expressed an interest in the framework and they were all issued with an ITT. Of those 15 submitted a subsequent response with a closing date of noon on 2<sup>nd</sup> February 2019.

2.5 The tender evaluation process seeks to find the most economically advantageous tender proposal for the Council, whilst still ensuring that the needs of the individual service areas will be met. It would also ensure that the successful Tenderers have the necessary experience and organizational structure to deliver the requirements of the Framework on a regular basis and at a consistent standard during the life of the agreement

2.6 The following weightings were contained within the Invitation to Tender (ITT) document and were applied to the tender submissions as indicated below:

Technical Capacity	30%
Social Value	5%
Price	65%

2.7 The pricing (65% weighting) for each lot was a key factor in the overall weighting for that Lot, the other 35% weighting for technical and social value was applied across the ITT elements accordingly.

2.8 The Evaluation Panel consisted of:

Stephen Aikman – Operations Manager, Highways  
Emily Molden – Procurement Manager, Procurement & Quality Assurance

2.9 After evaluating each 'Lot' within the tender submissions separately and holding a moderation meeting, the following scores were awarded to the respective organizations', based on the aforementioned evaluation weightings. The final

---

scores allotted were arrived at for each specific Lot. The price evaluation was completed by Emily Molden (Procurement Manager) and this data was then used to generate the final scores for each Lot.

### **3 Options/Alternatives**

- 3.1 To award the framework agreement to the bidders identified in the section above which ensure compliance with the Financial and Contract Procedure Rules benefitting the Council with high quality service, competitive pricing and social value outcomes.
- 3.2 To not award which would leave the Council with no compliant framework agreement and owing to the value of the contract a new tender exercise would be required.

### **4 Preferred Option**

- 4.1 To award the framework agreement to the bidders identified in section 3 above which ensure compliance with the Financial and Contract Procedure Rules benefitting the Council with high quality service, competitive pricing and social value outcomes.
- 4.2 The table below highlights the potential difference in the cost from the previous procurement exercise.

Lot 1	Decreased	9%
Lot 2	Increased	9%-33%
Lot 3	Increased	4%
Lot 4	Static	0%
Lot 5	increased	28%
Lot 6	Increased	9%

### **5 Consultation**

- 5.1 There was a market test prior to the procurement exercise to gauge interest in the contract, following the test the tender was posted via procurement.

### **6 Financial Implications**

#### **6.1 Summary Implications**

- 6.1.1 The tender process covers a large variety of plant and equipment used by the Highways department. The tender process had previously been conducted 5 years ago, and the Highways department benefited from fixed prices as the cost of hiring plant and equipment rose. For some of the plant and machinery included within the framework, the prices have risen and may cause a financial pressure on the Highways department in 2019/20 and future years. Budgets will be monitored closely during the year to ensure they are balanced at year end.
- 6.1.2 Table 1 below details the estimated impact of the changes in prices for hiring plant and machinery by the Highways department.
-

**Table 1 – Estimated implications of the Plant Hire Framework**

	<b>Average Percentage Change in Plant and Machinery Hire Prices (%)</b>	<b>Estimated Impact based on 2018/19 Expenditure (£'000s)</b>
<b>Capital Implication</b>	15	136
<b>Revenue Implication</b>	8	205

6.2 Capital

6.2.1 The Highways Service carried out work identified as capital in 2018/19 and these costs were included within the 2018/19 Capital Programme. A total of £379k of these costs were spent on plant and machinery which is included within the Plant Hire Framework. Table 2 below details the estimated impact on the cost of the plant and machinery hired based on the new prices. Actuals from 2014/15 to 2018/19 have been used to determine likely future impact.

**Table 2 – Estimated Capital Implications of the Plant Hire Framework**

<b>Lot Type</b>	<b>Average Percentage Change in Price (%)</b>	<b>Estimated Additional/Reduced Cost (£)</b>
Lot 2 - Large Plant with Operator	21	131,132
Lot 6 – Skilled Labour & Transport	9	4,800
<b>Total</b>	<b>15</b>	<b>135,932</b>

6.2.2 Based on the use of plant and machinery to deliver the 2018/19 Capital Programme, the change in costs will be dependent on the type of plant and machinery used.

6.2.3 It is not possible at this stage to estimate the type and duration of plant and machinery that will be needed by the Highways department to carry out works for the 2019/20 Capital Programme and future years programmes. The Average price change is a good indicator that there may be an increase in costs to carry out capital works in subsequent years.

6.2.4 The new plant and machinery hire costs will need to be taken into account when calculating capital works undertaken by the Highways department. If the new prices increase the cost of capital works, schemes will need to be scaled back or additional funding identified and approved, to ensure the capital programme is delivered within the agreed resources available.

---

### 6.3 Revenue

6.3.1 The Highways service uses a variety of plant and machinery to maintain the highways network within Oldham. The Highways department spent on average over the last 5 years £659k on plant and equipment included within the framework. Table 3 below details the estimated revenue impact on the cost of the plant and machinery hired, based on the new prices. Actuals from 2014/15 to 2018/19 have been used to determine likely future impact.

**Table 3 – Estimated implication on Revenue of the Plant Hire Framework**

<b>Lot Type</b>	<b>Average Percentage Change in Price (%)</b>	<b>Estimated Additional/Reduced Cost (£)</b>
Lot 2 - Large Plant with Operator	21	128,629
Lot 5 - Winter Maintenance	28	16,802
Lot 6 – Skilled Labour & Transport	9	61,312
<b>Total</b>	<b>19</b>	<b>206,743</b>

6.3.2 Based on the plant and machinery used between 2014/15 & 2018/19 and what is expected to be needed in 2019/20, it is estimated that the cost of hiring plant and machinery included within the framework could increase by £207k per annum.

6.3.3 The impact of the change in price will be dependent on the works carried out in 2019/20 and future years by the Highways department and the priorities of the Council. It is anticipated that any further increases in annual expenditure will be carefully monitored to ensure that overall budgets for the year are balanced overall. A majority of the overall works on the revenue Cost Centre helps to underpin work on the Transport Capital Programme.

6.3.4 The Highways department also hire plant and machinery to carry out winter maintenance. The type of plant and machinery needed along with the period for which it is required will be highly dependent on the weather. It is therefore difficult to fully assess the impact of the price changes on the cost of winter maintenance. Previously, the cost of contracting machinery with labour was dependent on the time of day when the labour was needed, working between 4.30pm and 7.30am resulted in an additional 'out-of-hours' charge on top of the hire cost, which varied depending on the time of the 'out-of hours' work. As part of the framework, Highways have tried to simplify this and gain a more standardised pricing model, agreeing one 'out-of-hours' charge between 4.30pm and 7.30am. The impact of this will be dependent on when the machinery and labour is required and the severity of the winter weather.

6.3.5 It is anticipated that the plant hire framework may increase the revenue costs to Highways for maintaining the highways network. Highways will need to closely

---

---

monitor any pressures to ensure the service is delivered within a balanced budget for 2019/20 and future years. (John Edisbury / Sadrul Alam).

**7 Legal Services Comments**

7.1 The Council has followed an open tender advertising the opportunity in the Official Journal of the European Union. Invitations to tender were issued to all interested bidders and the Council used its selection criteria to evaluate the bids to select the most economically advantageous tenderers for each of the lots. Having followed the Council's Contract Procedure Rules and the Public Contracts Regulations 2015. (Elizabeth Cunningham Doyle) the Council should be in a position to safely award the lots to each of the preferred bidders. (Elizabeth Cunningham Doyle)

**8. Co-operative Agenda**

8.1 The creation of the frame work enables Highway operation to react quickly to the seasonal fluctuations in work and condition to benefits all communities

**9 Human Resources Comments**

9.1 None

**10 Risk Assessments**

10.1 The frame work has more than one supplier in most case so it allows for service continuity.

**11 IT Implications**

11.1 None

**12 Property Implications**

12.1 None

**13 Procurement Implications**

13.1 The Commercial Procurement Unit supports the approval of the preferred option as the procurement has been carried out in line with Oldham Council's Contract Procedure Rules and EU Regulations. The outcome proposes the most economically advantageous outcomes. (Emily Molden)

**14 Environmental and Health & Safety Implications**

14.1 As part of the Invitation to Tender Process each company were asked to provide information with regards to health and safety, which were assessed by the Evaluation Panel. It is the responsibility of the Highways service manager to ensure that any contractors on the framework are monitored for health and safety performance and that appropriate action is taken should concerns be raised regarding health and safety. (L. Smith)

**15 Equality, community cohesion and crime implications**

15.1 None

---

---

16 **Equality Impact Assessment Completed?**

16.1 No

17 **Key Decision**

17.1 Yes

18 **Key Decision Reference**

18.1 NEI-13-19

19 **Background Papers**

19.1 None

20 **Appendices**

20.1 None

---