

Transformation of Highways Services Sub Committee

Agenda

Date:	Monday, 20th December, 2010
Time:	3.30 pm or on the rise of the Cabinet, whichever is the later
Venue:	Committee Suite 1 & 2, Westfields, Middlewich Road, Sandbach CW11 1HZ

The agenda is divided into two parts. Part 1 is taken in the presence of the public and press. Part 2 items will be considered in the absence of the public and press for the reasons indicated on the agenda and at the foot of each report.

PART 1 – MATTERS TO BE CONSIDERED WITH THE PUBLIC AND PRESS PRESENT

1. **Appointment of Chairman**

To appoint a Chairman for the meeting.

2. **Apologies for Absence**

To note any apologies for absence.

3. **Declarations of Interest**

To provide an opportunity for Members and Officers to declare any personal and/or prejudicial interests in any item on the agenda

For requests for further information

Contact: Cherry Foreman

Tel: 01270 686463

E-Mail: cherry.foreman@cheshireeast.gov.uk with any apologies or requests for further information or to give notice of a question to be asked by a member of the public.

4. Public Speaking Time/Open Session

In accordance with Procedure Rules Nos.11 and 35 a total period of 10 minutes is allocated for members of the public to address the Committee on any matter relevant to the work of the Committee.

Individual members of the public may speak for up to 5 minutes but the Chairman will decide how the period of time allocated for public speaking will be apportioned where there are a number of speakers.

Members of the public wishing to ask a question at the meeting should provide at least three clear working days' notice in writing and should include the question with that notice. This will enable an informed answer to be given. It is not required to give notice of the intention to make use of public speaking provision, however, as a matter of courtesy, a period of 24 hours notice is encouraged.

5. Minutes of Previous meeting (Pages 1 - 4)

To approve the minutes of the meeting held on 17 November 2010.

6. Transformation of Highways Services - Progress Report (Pages 5 - 10)

To consider progress to date on the highways procurement project.

7. Exclusion of the Press and Public

The reports relating to the remaining items on the agenda have been withheld from public circulation and deposit pursuant to Section 100(B)(2) of the Local Government Act 1972 on the grounds that the matters may be determined with the press and public excluded.

The Committee may decide that the press and public be excluded from the meeting during consideration of the following items pursuant to Section 100(A)4 of the Local Government Act 1972 on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 and public interest would not be served in publishing the information.

PART 2 – MATTERS TO BE CONSIDERED WITHOUT THE PUBLIC AND PRESS PRESENT

8. Highways Procurement Shortlist of Bidders

To consider the report of the Strategic Director Places.

Report to follow.

9. Date of Next Meeting

To confirm the date of the next meeting; at present meetings are scheduled for 30 March 2011 and 6 June 2011.

CHESHIRE EAST COUNCIL**Minutes of a meeting of the Transformation of Highways Services Sub Committee**

held on Wednesday, 17th November, 2010 at Mayors Reception Room
Municipal Buildings Crewe

PRESENT

Councillors J Macrae, P Mason and R Menlove

COUNCILLORS IN ATTENDANCE

Councillor T Beard, D Brickhill and J Narraway

OFFICERS

Strategic Director Places, Head of Environmental Services, Interim Project Manager, Senior Lawyer Corporate and Commercial Team and Highways Transportation Manager.

13 APPOINTMENT OF CHAIRMAN

RESOLVED

That Councillor Jamie Macrae be appointed Chairman for the meeting.

14 APOLOGIES FOR ABSENCE

No apologies for absence were received on this occasion.

15 DECLARATIONS OF INTEREST

Councillor T Beard declared a personal interest in the business of the meeting as his daughter was employed by the Highways Service.

16 PUBLIC SPEAKING TIME/OPEN SESSION

No questions had been submitted from members of the public.

17 MINUTES OF PREVIOUS MEETING

RESOLVED

That the Minutes of the meeting held on 7 September 2010 be approved as a correct record.

18 **PROGRESS REPORT**

The Sub Committee considered the report of the Strategic Director, Places which updated Members on progress achieved since the last meeting in respect of the Highways Procurement Project. As a precursor to the discussion; the Sub Committee was reminded of the timeframe set out for completion of the project.

Of the nine bidders who had submitted Pre Qualification Questionnaires, five had since been short-listed. The organisations concerned were to be invited to participate in dialogue to develop outline solutions to meet the requirements of the authority.

Arrangements for managing the transition period from 'today' through to the expiration of the current contract and the mobilisation and commencement of the new contract were discussed; the Head of Environmental Services outlining the steps which had been put in place to manage the risks involved in such a challenging period. As this was not the only impending issue to affect the service, assurances were sought that the potential impact of changes to the Transport Structure and Local Transport Plan Settlement would also be taken into account as part of the process.

The Sub Committee went on to discuss the potential risks to the Council should the programme slip. On the proviso that the evaluation of solutions was completed on time, officers were confident that the project would remain on track.

For those directly affected by the changes, a Staff Stakeholder Group had been established to improve the flow of communication. A Member commented that it was equally important for Councillors to be advised of progress on a regular basis and it was agreed that monthly briefings would, in future, be circulated.

A Highways Contract Group had been established comprising six members of the Corporate and Environment and Prosperity Scrutiny Committees to monitor the work of the Sub Committee. Meetings dates for the Group had been scheduled but not widely circulated and as this body was seen as the most appropriate forum at which to consider Members' questions and concerns, it was proposed that the dates be included in future reports for completeness.

RESOLVED

That the report be noted.

19 **FUTURE MEETING DATES**

Dates for future meetings of the Sub Committee had been set in order to fit in with the procurement timetable i.e. 4 January 2011, 30 March 2011 and 6 June 2011.

Subsequent to this, it had transpired that the January meeting would not be quorate and the Chairman proposed that the meeting be rescheduled to 20 December to be held on the rising of Cabinet. To ensure that future meetings were also quorate, the Chairman requesting that the dates set aside be confirmed at each meeting.

The meeting commenced at 9.30 am and concluded at 10.25 am

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Councillor Macrae

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CHESHIRE EAST COUNCIL

REPORT TO: CABINET HIGHWAYS SUB COMMITTEE

Date of Meeting: 20th December 2010
Report of: Strategic Director - Places
Subject/Title: Transformation of Highways Services
Portfolio Holder: Cllr Rod Menlove / Cllr Macrae

1.0 Report Summary

- 1.1 The procurement of the new " Highway Maintenance Contract" is a key work stream within the Total Transport Transformation Programme which is one of six major transformations projects supported by the Council.
- 1.2 Our roads are a corporate policy and their condition has been deteriorating for several years, consultation has also confirmed that most stakeholders recognise that they should be a priority for the Council.
- 1.3 As a customer-focused Council, the Council aims to transform the delivery of future highways services, including replacement of the current term maintenance contract, as appropriate to driving improvement in highway condition perception across Cheshire East.
- 1.4 This report provides Cabinet Sub Committee with an update on progress made on the Highways procurement project.

2.0 Decision Requested

- 2.1 Note progress.

3.0 Reasons for Recommendations

- 3.1 The Authority needs to have a new service provider in place by October 2011 to undertake the delivery of the Highways Services.
- 3.2 To provide strategic input to the procurement process.

4.0 Wards Affected

- 4.1 All Wards are potentially affected by the proposal.

5.0 Local Ward Members

- 5.1 All Ward Members are potentially affected by the proposal.

6.0 Policy Implications including - Climate change

- Health

6.1 The Total Transport Transformation programme is providing the framework for this project and will address major policy issues including climate change. One of the drivers for the new highways service will be to deliver cost efficiencies and to limit our carbon emissions.

6.2 Policy implications are one of the drivers within the identified Key Drivers for service.

7.0 Financial Implications 2010/2011 and beyond (Authorised by the Borough Treasurer)

7.1 Within the Places Directorate, there are significant resource requirements attached to moving towards the delivery of the preferred option for delivering Highway Services. It should be noted that this procurement exercise will require the use of staff input from the Places Directorate and other key services which will be supported by external professional advisors to ensure successful delivery project.

7.2 Additional consultancy services deployed on the project are being financed by approved use of the Council's Invest to Save reserve. Further use of Invest to Save monies may be called upon in 2011/12.

8.0 Legal Implications (Authorised by the Borough Solicitor)

8.1 A procurement of this importance and size requires a significant investment of time and resource if it is to be a success. It is also important that the service delivery model and procurement route are the 'best fit' for the required outcomes.

8.2 External legal advisers (Bevan Brittan) have been engaged and have provided clear advice to procure using the competitive dialogue (CD) procedure. However, the timescale for doing this has had to be reduced by some months in order to deliver a new service to be mobilised in time for the cessation of the existing arrangements.

9.0 Risk Management

9.1 There are always risks, financial, safety and reputational in the procurement and delivery of Highways Services, particularly in relation to the level of customer focus, winter maintenance and managing road works. One of the benefits of exploring the options appraisal and selection process is to be transparent and to ensure there is a Member understanding of the different options.

9.2 Due to complexity of the proposed Highway procurement it is not best dealt with under the restricted procedure and there would be a very real risk that the Authority would end up with written Tenders that did not fully meet its requirements. The authority would have a much better chance of getting a highways contract that's meets its needs from conducting a competitive dialogue process, albeit a very tightly timetabled competitive dialogue.

9.3 One significant issue to consider going forward will be the transfer of risk and determining where best a risk should lie under the proposed new arrangements; this will contribute significantly to the shape and nature of the client organisation as well as cost allocation.

- 9.4 The CD process would not normally be delivered in the timescale that is available. There is a risk associated with the timetable and that can only be mitigated by ensuring that the procurement is appropriately resourced. There is undoubtedly a mature market for this work, but it needs to be properly managed within a relatively slick process so that the outcome can be delivered on time.

11.0 Background and Options

- 11.1 A report was presented to Cabinet Sub Committee on the 5th October which updated the members on the current progress.

11.0 Progress and Next Steps

- 11.1 The bidders have submitted their Outline Solutions on the 3rd December.

- 11.2 The submissions are formed of the following:

- 12 method statements forming the qualitative information
- mark up of the contract
- % fee and local overhead cost

- 11.3 During the period between 6th December and 17th December the Outline Solutions will be evaluated. The evaluation is being undertaken by a number of CEC officers. Officers have been allocated specific method statements to evaluate and must mark them individually. On the 16th and 17th December officers will meet and agree the score for each question. The financial evaluation and contract mark-up will also be scored. The result of this exercise will be one score per bidder. The aim is to reduce the number of bidders from 5 to 3 or 4; the preference is to reduce to 3 providing there is a clear distinction between bidders in third and fourth place.

- 11.4 The proportion of marks for each area of the submission is as follows:

ISOS stage	Score
Approach to service delivery	70%
Financial	15%
Legal and Commercial	10%
Integrity and deliverability of proposals	5%

Payment and performance framework

- 11.5 The proposed payment mechanism to be used is target cost. This approach allows changing budgets to be managed without having to pay compensation to the contractor.
- 11.6 The contractor's performance will be influenced by the performance indicators that are being developed. The strategy will be to have:

- Key Strategic Indicators (KSIs) – these are strategic performance measures will be used for determining accrual of Contract Extension Increments that may be deployed to earn contract extensions, and
- Key Performance Indicators (KPIs) – these are service performance measures that will be linked to payment (deductions or %profit).

11.7 A set of indicators are being developed which link to the objectives of the Highways Procurement to ensure that those issues of most concern to the Council are monitored. These will be supplemented with a paper on how and when contract extensions will be awarded. The key message for bidders is that the performance monitoring should be an integral part of the contract management and not an industry in itself.

Staff Communications

11.8 The staff stakeholder group has met a number of times to talk about the procurement process, thin client structure and TUPE issues. In the new year the group will meet with the shortlisted bidders.

Communicating with Members

11.9 The Procurement team have taken the advice of the Scrutiny panel with respect to increased member involvement in the process. This has been addressed by the creation of the Overview group and on-going involvement of the Transformation of Highways Sub-Committee. A series of meetings have been planned with the two groups and the programme has been amended to ensure the Overview group and Sub-Committee's timely involvement.

11.10 The opportunity for members to meet bidders in the New year is also being explored.

Programme

11.11 The programme has been changed to allow a longer mobilisation period and member involvement. It remains very challenging. The key dates are as follows:

- Evaluation of solutions: 3rd-17th December 2010
- Shortlist of bidders: 17th December 2010
- Project Board approval: 20th December 2010
- Invitation to Submit Detailed Solutions stage: 6th December 2010 – 30th March 2011
- Call for final Tender: 23rd February – 6th June 2011
- Notification of intent to award: 6th June 2011
- Contract start 6th October 2011.

12.0 Timetable

12.1 The timetable is challenging and a truncated process is not something that is normally undertaken and should not be taken on lightly. Therefore there must be some risk associated with this and it is very important to provide sufficient resources to delivery the procurement on time.

13.0 Resources

- 13.1 So far, external solicitors, Bevan Brittan, have been secured using a government Framework with competitive rates available and providing us with advisers that have considerable experience in this field. They will provide both legal and procurement expertise to supplement the in-house input.
- 13.2 The council has also secured the assistance of Happold Consulting – The council require support and advice throughout this transition process from the identification of contract scope and duration through to contract signature. It is the intention of Cheshire East Council to use the EU competitive dialogue procedure to select an appropriate service delivery contractor. Happold have been secured using a government framework and will support the Council in the development and delivery of a procurement and change programme for its highways services including:
- Development of procurement strategy
 - Support during PQQ stages
 - Support during competitive dialogue procurement stages
 - Development of contract conditions
 - Development of service level specifications
 - Development of payment mechanism and performance management
 - Tender evaluation and contract award
 - Mobilisation and implementation of new arrangements
 - Support in staff structure development and training

14.0 Overview of Year One and Term One Issues

None

15.0 Access to information.

The background papers relating to this report can be inspected by contacting the report writer:

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