

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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