

RESPONSE TO CALL-IN THE DECISION OF THE TRANSFORMING HIGHWAYS SUB COMMITTEE TO CORPORATE SCRUTINY AND ENVIRONMENT SCRUTINY ON THE GROUNDS:

- **BECAUSE OF THE VALUE OF THIS CONTRACT IT SHOULD BE SUBJECT TO SCRUTINY**
- **MEMBERS HAVE NOT BEEN GIVEN THE OPPORTUNITY TO SCRUTINISE OTHER OPTIONS FOR THE DELIVERY OF HIGHWAY SERVICES, EXAMPLE ALLIANCES WITH OTHER AUTHORITIES**
- **THE IMPACT ON THE EMPLOYMENT OF HIGHWAYS STAFF BY THE PROPOSED OUTSOURCING.**

INTRODUCTION

1. This report outlines how the Council is seeking to transform the delivery of highway services, including replacement of the current term maintenance contract, to drive improvement in highway condition, improve customer perception across Cheshire East and deliver increased value for money.
2. Our highway network is a corporate priority and in particular the condition of our roads has been deteriorating for several years. The recent pre-budget consultation has confirmed that most stakeholders recognise that the service should be a priority for Cheshire East Council. As a customer-focussed Council, the customer service aspects of highway services are crucial to managing our residents' perception of the new Council.
3. The procurement of arrangements to replace the existing Highway Maintenance Contract is a key workstream within the Total Transport Transformation programme, one of six major transformation projects supported by the Council. In replacing the existing contract, the Council has the opportunity to modernise the whole of the service by adopting a fresh delivery model.

CONTRACT VALUE

4. The value of the contract is estimated to be up to £21 million per annum, with the contract being offered for an initial 5 years term and a possible extension of a further 2 years.

ALTERNATIVE OPTIONS

5. An options appraisal of the various contract models commonly used in local government highways sector was undertaken. This identified 8 key models and each was evaluated against the following set of drivers:
 - The optimum nature and scale of the 'client' role including retained experience
 - Ability to deliver transformational / cultural change
 - Delivers best practice from elsewhere
 - Flexibility of arrangements
 - Better than current contract performance
 - Timetable for delivery
 - Decision Making (Client, provider, local)
 - Ability to deliver a wide scope of services – Vehicles, Grounds, ITS, UTC

Appendix 3

- Efficiency of £1m is required
- The ability of the model to deliver Quality and Innovation
- Existing model in the established market.

Two of the models scored favourably and these along with retaining the status quo, were then assessed against more detailed criteria.

MEMBER ENGAGEMENT

6. The papers supporting the Cabinet decision in April and the Cabinet Sub-Committee in July were publically available. The latter paper included the evaluation matrix setting out how each of the 8 preferred models rated against the key drivers for the project. It was felt that the additional briefing to Councillors in July was timely, but recognise that some people are disappointed not to have been engaged more actively earlier in the process.
7. The Total Transport project was presented to the Environment Scrutiny Committee on 24th March, which outlined the key workstreams including Highways Procurement.

POTENTIAL IMPACT EMPLOYMENT OF HIGHWAYS STAFF

8. Highways staff currently delivering work which will, in future, be delivered under the new contract will transfer to the new contractor. The law protects staff transferring; Transfer of Undertakings (Protection of Employment) Regulations 2006 (known as the TUPE Regulations) applies when services are outsourced.

Why is there still no decision on VR for staff yet?

9. There is a 'Highways Procurement' Change Process. The VR situation has arisen through the present budget pressure we have to respond to. The significant cuts to capital expenditure in Highways has had an effect on the source of work and income to staff, and that is what we have to address. This is the reason for VR's, not the procurement process. It is imperative that any decisions around VR take account of this year's programme of work. In some instances it has been necessary to defer VR to ensure service delivery is maintained.

Which ever way we go with this process, will we still have enough Cheshire East staff on the payroll to monitor work effectively?

10. The structure of the proposed client team is under development and this will reflect the skills required to manage a contract of this size and type.

With the efficiency target of £1 million set, how much money would we save if we just had VR's, and not a new procurement process?

11. The £1 million efficiency target is linked to re-procuring the Highways Services. The VR process is not linked to the Highways procurement and needed to happen to reflect changing budgets. The absence of a new contract and maintenance of the status quo would mean that the potential savings made by engaging with a private sector partner would not be achieved.

SUMMARY

12. The transformation of the highways service is a key corporate priority and is one of the five workstreams of Total Transport. The decision to progress the procurement of a new highways contract was taken by Cabinet in April and a Sub-Committee was established with delegated powers to make decisions relating to the project within the timelines agreed.
13. The procurement process is using a Competitive Dialogue process which will allow the Council to refine the scope of the new contract through the procurement process over the coming weeks and months.
14. In parallel to the procurement process, the highways service is being re-shaped to reflect the fact that big reductions in capital grant from Government is expected from April 2011. The re-shaping involves voluntary redundancy for some areas of the service. Reductions in future capital spend impacts directly on our revenue income and in simple terms the Council cannot sustain the current structures.
15. Member engagement during the procurement process will be key to shaping the future service. The Cabinet Sub-Committee has delegated authority to make decisions in relation to the new contract. An overview role from the scrutiny process to inform the Sub-Committee will be essential to ensure the new contract meets the needs of the Council from October 2011.