

# **CHESHIRE EAST COUNCIL**

## **REPORT TO: TRANSFORMATION OF HIGHWAYS SERVICES SUB COMMITTEE**

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**Date of Meeting:** 7 September 2010  
**Report of:** Strategic Director - Places  
**Subject/Title:** Transformation of Highways Services  
**Portfolio Holder:** Cllr Rod Menlove / Cllr Macrae

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### **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 priority 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 team 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 To note the progress to date.

### **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 2009/10 and beyond (Authorised by the Borough Treasurer)**

- 7.1 Within the Policy and Performance/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 All planned expenditure is being met through existing Council budgets.

#### **8.0 Legal Implications (Authorised by the Borough Solicitor)**

- 8.1 Bevan Brittan, the external legal advisors engaged to advice on the procurement, has advised that the competitive dialogue (CD) procedure is the most appropriate procurement mechanism for the Council to secure a new service provider. The timescale for completing the CD is tight in order to ensure that a new service to be mobilised in time for the cessation of the existing arrangements. Bevan Brittan has confirmed that the timescales are achievable but this is dependent on the Council clearly identifying its requirements and having sufficient resources in place to deliver the procurement on time.

## **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.

## **10.0 Background and Options**

- 10.1 A report was presented to Cabinet Sub Committee on 15 July at which:

1. Approval was given to the strategic direction of the procurement by way of the Managing Agent Contractor model.
2. That the structures that are, and have been, put in place to support the procurement, and the significant resource implications, be approved.
3. That the advice concerning the appropriate procurement method, namely by competitive dialogue, be approved.
4. That the timetable for delivery be noted and approved

Careful consideration was given to report and its appendices; in response to a question concerning the opportunity for involvement in the procurement process by overview and scrutiny it was

confirmed that adequate time for its consideration had been allowed. Future performance management measures would also be built into the monitoring of the contract

## **11.0 Progress and Next Steps**

- 11.1 The procurement process is currently in the early stages. An OJEU notice has been issued advertising the contract and Pre Qualification Questionnaires (PQQs) have been returned by 9 potential service providers. The 9 providers include many of the market leaders in this field.
- 11.2 Over the next 3 weeks the PQQs will be assessed and a shortlist will be compiled. The aim is to take between 5 and 8 bidders forward to the next stage. The top 5 bidders will be taken forward, unless the scoring between bidders 5 and 8 is too close to differentiate between bidders and then we will identify where there is a clear cut off point between bidders.
- 11.3 The successful bidders will be informed on or about 15 September 2010. There then follows a feedback period until 24 September 2010. This period is used to give feedback to bidders who require it.
- 11.4 We will issue an Invitation to Participate in Dialogue (ITPD) on or about 25 September. The first Competitive Dialogue sessions will take place between 11 and 22 October. Between now and the Competitive Dialogue starting we will be producing a list of items to be dialogued.
- 11.5 In the forthcoming weeks we will be rolling out a series of communications to all stakeholders. We will be undertaking regular staff and member communications in order to ensure a smooth transfer into the new contract.

## **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 deliver 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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