

# **CHESHIRE EAST COUNCIL**

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

---

**Date of Meeting:** 19 November 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 Services 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 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 An Invest to Save bid is being prepared in respect of delivering the Total transformation programme and this will incorporate resources for consultancy support for the Highways procurement.

## **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.

## **10.0 Background and Options**

- 10.1 A report was presented to Cabinet Sub Committee on the 7<sup>th</sup> September which updated the members on the current progress.

## **11.0 Progress and Next Steps**

- 11.1 The Procurement process is currently entering the stage where bidders will be invited to participate in dialogue which will lead to the development of outline solutions for the service. In the last 3 weeks the following has been completed as per the programme:
- 9 Pre Qualification Questionnaires (PQQs) were received.
  - The PQQs were evaluated via a process of individual assessment by CEC officers and advising consultants followed by a process to agree consensus scores and comments.
  - 2 bidders failed on the financial performance (their annual turnover was less than £100m p.a.)
  - The top 5 bidders were shortlisted – all 5 are well known large organisations or joint ventures.
  - Feedback was given to the five successful bidders and one of the unsuccessful bidders on 20<sup>th</sup> September.
- 11.2 The next key date is the 6<sup>th</sup> October when the shortlisted bidders will formally be invited to participate in dialogue. At the same time they will receive the following:
- Draft heads of terms (the contract)
  - The Service Information
  - The proposed method statements – to which they will respond by the 3<sup>rd</sup> December
  - Details of the Competitive Dialogue dates.

## **Payment and performance framework**

- 11.3 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.
- 11.4 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)**.
- 11.5 A set of indicators will be developed which link to the objectives of the Highways Procurement to ensure that those issues of most concern to the Council are monitored.

## **Evaluation criteria**

- 11.6 Work is on-going to develop the evaluation criteria. We aim to have an approach that allows quality to be ranked higher in the early stages and we envisage that price will become the dominant influence later in the process.

## **Staff Communications**

- 11.7 Nominations have been received from staff to be part of the staff stakeholder group. This group will act as a sounding board and bring forward concerns from the staff. An element of the terms of reference of this group will be to develop the ways in which staff are engaged in this process. Union representation will also form part of this group.

## **Communicating with Members**

- 11.8 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.

## **Programme**

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

- Issue requirements: 6th October 2010
- First Dialogue Session: 18-20th October 2010
- Second dialogue session: 8-12th November 2010
- Bidders return outline solutions: 3rd December 2010
- 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 6<sup>th</sup> 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 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:

Name: Moaz Khan

Designation: Interim Project Manager

Tel No: 01270 371181

Email: [Moaz.Khan@Cheshireeast.gov.uk](mailto:Moaz.Khan@Cheshireeast.gov.uk)