

# Cheshire East Council

## Cabinet

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**Date of Meeting:** 17<sup>th</sup> January 2017

**Report of:** Frank Jordan - Executive Director of Place

**Subject/Title:** Highway Service Contract Procurement

**Portfolio Holder:** Cllr David Brown, Highways and Infrastructure

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### 1. Report Summary

- 1.1. The Highway Service remains the most visible public sector service used by virtually every member of the public every day of their lives when they step out of their front door. The £5bn Highway Network is the single most important and valuable asset managed by the Council, and is essential to delivering a thriving economy. Managed well our highway network enables our residents, businesses and service sectors to carry out their daily needs safely and efficiently to the benefit of everyone.
- 1.2. The Council has listened to its residents' and businesses and prioritises around £32 million per annum of expenditure through the current Highway Service Contract on highway improvements, maintenance, operations and professional services.
- 1.3. Cabinet are being requested to approve the approach to procuring the Council's next Highway Service Contract. The approval is necessary as the current arrangements expire in October 2018 and the decision will provide a reasonable timeframe for both the procurement exercise and contract mobilisation for the successful bidder.

### 2. Recommendations

- 2.1. That Cabinet approve that the Executive Director for Place, in consultation with the Deputy Leader and Portfolio Holder for Highways and Infrastructure, progress the process for procuring a new Highway Service Contract for the Council.
- 2.2. That Cabinet agree to the establishment of a pre-procurement advisory cross-party Member Panel, the composition of which to be determined by the Portfolio Holder for Highways and Infrastructure, to make informal recommendations to the Portfolio Holder in respect of priorities for the Contract.

- 2.3. To note that the Corporate Overview and Scrutiny Committee will receive a report on the suggested procurement approach to allow their recommendations to be considered by Cabinet before a decision is made.
- 2.4. That Cabinet note the establishment of an officer Project Board involving key staff from other Council service areas in delivering this Contract, including Legal, Finance, HR, Assets, Procurement and external advisors.
- 2.5. That Cabinet note the funding allocations are in place to develop and deliver a new Highway Service Contract.
- 2.6. That Cabinet note that the decision on contract model, duration and procurement route will be brought back to Cabinet for approval, and following completion of the tender process. Cabinet will also approve award of contract to the preferred/recommended provider.

### **3. Other Options Considered**

- 3.1. The current Highway Service Contract relates to the delivery of highway maintenance services and highway improvement schemes. The Contract includes a wide range of professional services to support the Councils Strategic Infrastructure delivery programme and many other Council departments including Regeneration, Facilities Management, Assets, Parking Services, and Open Spaces.
- 3.2. Following the Highway Maintenance Efficiency Programme guidance (*HMEP is the Department for Transport's sector led transformation programme*), there are a range of delivery models open to the Council, the choice of which depends on a number of factors including the function to be retained by the client team, the performance management framework, and the payment mechanisms.
- 3.3. The 8 variants of delivery model will be considered by the Project Board (see section 5) and a recommendation made to Cabinet.

### **4. Reasons for Recommendations**

- 4.1. The Council is setup to deliver the 'best fit' approach to the commissioning of Council services. Cheshire East Council has a statutory duty, under the 1980 Highway Act, to manage and maintain the highway network within the borough.
- 4.2. Consideration of the future contract model for Highway Service delivery will consider whether to update the current model or develop a completely new model. Given the significant additional cost associated with a completely new procurement model, it is recommended that this is considered by the Project Board and Member Panel prior to making a recommendation. Utilising a Member Panel was successful in delivering the current Highway Service Contract given the lengthy process involved and the level of engagement required.

- 4.3. The Highway Client team will require both in-house and specialist support as part of the procurement. At this stage the procurement cost, assuming this is based around the current model, is estimated at £500k and allocations have been included from the existing Highway Revenue budget for 2016/17 with further allocations earmarked for 17/18 and 18/19. If the Council chooses a different route to procurement the estimated cost could change and further funding is likely to be required.
- 4.4. It is intended to utilise the advice and guidance provided through the Government's Highway Maintenance Efficiency Programme, which is widely recognised within the highway industry, and seeks to avoid the expensive development of bespoke highway contracts.

## **5. Background/Chronology**

- 5.1. Cheshire East Council appointed Ringway Jacobs as the Service Provider for the current Highway Service Contract in 2011. This Contract will end on 4<sup>th</sup> October 2018 having previously granted the two year extension to utilise the maximum 7 year duration.
- 5.2. Consideration of the contract scope is required to assess the benefits and advantages of including other service areas within any future contract. Suggested areas for consideration include Parking Services, Street Sweeping and Public Rights of Way given their strong links and synergies to the highway service. Further areas for consideration include the delivery of smaller Major Infrastructure Schemes potentially up to £5m, together with a more strategic approach to the funding of highway maintenance.
- 5.3. An initial outline programme is shown in Appendix 1 for delivery of a new Contract by October 2018. It is recommended that preparation of the Selection Questionnaire and Tender Documentation commences in March 2017, this will follow agreement on the type of Contract and Scope in order to ensure the documentation accurately reflects the Council's needs.
- 5.4. The Council has established a Project Gateway Model to provide a strong quality assurance system for major Projects and Programmes in Cheshire East.
- 5.5. The proposed project governance will include a Member Panel with detailed management and monitoring of the various work stream activities being undertaken by the Project Board.
- 5.6. To implement the agreed options there will need to be a number of key individuals with wide ranging skills available. It is therefore recommended that a project management framework be adopted and a suggested format is outlined below.

### **Project Sponsor**

- Executive Director of Place

Responsible for delivering the organisational benefits of the re-procurement.

### **Portfolio Holder**

- Deputy Leader and Portfolio Holder for Highways and Infrastructure

To monitor the implementation of the project through periodic progress updates, take key decisions and agree courses of action.

### **Advisory Member Panel**

- Cross Party Members

To identify priorities for the Contract. Make informal recommendations to the Portfolio Holder for Highways and Infrastructure.

### **Project Board**

- Executive Director of Place
- Director Infrastructure and Highways
- Head of Service for Highways and Parking\*
- Legal Representative
- Finance Representative
- HR Representative
- Procurement Representative
- External Advisors
- Other services as required on an ad-hoc basis.

To provide the link between the Member Panel and the Contract Management Team (see below). This group will be led by a Project Leader / Manager\* who is responsible for managing and driving the project on a day to day basis.

### **Contract Management Team**

- Head of Service for Highway and Parking
- Contract and Governance Temporary Support
- Other support as required

The project management team is responsible for delivery of the agreed options on a day-to-day basis and undertakes tasks to achieve specified objectives.

## **6. Wards Affected and Local Ward Members**

6.1. All Wards and Ward members are affected by this proposal.

## **7. Implications of Recommendation**

### **7.1. Policy Implications**

- The contract re-procurement will have a significant influence on the service's contribution to the delivery of the Cheshire East Corporate Plan outcomes:
  - Outcome 2: Cheshire East has a strong & resilient economy
  - Outcome 4: Cheshire East is a green & sustainable place
  - Outcome 6: A Responsible, Effective & Efficient Organisation
- The Council has a suite of Highway policies, procurement will provide a challenge to the market to assess the most efficient way to deliver these policies.

### **7.2. Legal Implications**

- The existing Highway Service Contract will expire in October 2018 and cannot be extended further as the Council previously approved the full two year extension at Cabinet in November 2014.
- The aggregate value of the Council's requirement for highway services is such that these services must be procured in accordance with the Public Contracts Regulations 2015 and in compliance with the Council's Finance and Contract Procedure Rules. This will require a fully OJEU compliant tender exercise.

### **7.3. Financial Implications**

- The objectives of the new Contract will determine the financial implications. This will be dependent on the vision regarding the condition and level of maintenance of the highway asset balanced against affordability.
- It is suggested that the level of capital investment be discussed with potential bidders through dialogue to determine efficiencies each potential bidder can deliver.
- At this stage it is envisaged that the Contract includes a requirement that the network condition must remain in its current condition or improve, with incentives for over performance and penalties if the network condition deteriorates.

- The financial effects of the new Contract will be reflected in future business planning rounds, for the year 2018/19 onwards.

#### **7.4. Equality Implications**

- All our residents utilise the highway network, therefore having the right contract provider to efficiently and effectively deliver the service will be essential to meet the diverse needs of our communities.

#### **7.5. Rural Community Implications**

- As part of the procurement the Council will seek ideas and innovations as to how to deliver services to our rural communities in the most effective and efficient manner.

#### **7.6. Human Resources Implications**

- The transfer of staff allocated to the current highway contract will require a TUPE process between service providers, and the same duties apply in any second-generation outsourcing situation or any other changes required dependent on the selected procurement model.

#### **7.7. Public Health Implications**

- Maintenance and promotion of walking and cycling can have a positive impact on public health. Maintaining investment in road safety activity also makes an important contribution to safer and more sustainable environments and assists in improving health outcomes, this includes lessons learnt from road traffic collision data. These will be taken into account as part of the procurement process.

### **8. Risk Management**

- 8.1. The risk to the Council of not implementing a robust procurement strategy to manage the provision of highways services is high. Failure to manage this risk could lead to discontinuity of service and increased costs. This risk is being mitigated by utilising the project management framework, programming and resourcing requirements.
- 8.2. A project risk register will be developed for the selected model option which will detail the risks which may impact on project delivery.
- 8.3. There are a number of areas of risk which could arise, these are:
  - Market interest from potential bidders in tendering for a new Cheshire East Contract;
  - Support Service capacity within the Council essential to the procurement; and

- Potential collaboration with other local authorities, in particular Cheshire West and Chester.
- 8.4. The selection of service delivery model will have a major influence on the long-term risk limitation and management levels. The more risk borne by the provider the greater the contract cost, the more risk taken by the client the cheaper the contract but the risk of unexpected costs falls to the client. It is essential that risk sits with the party who is best placed to manage that risk.
- 8.5. Utilising the right procurement model will also assist in minimising the financial risk associated with securing the right delivery partner. This is best managed by securing a partner who understands the Councils outcomes and is committed to improving the service delivery.

## **9. Access to Information/Bibliography**

- 9.1. The current Highway Service Contract (HSC) was awarded to Ringway Jacobs on 6 October 2011 for an initial service period of 5 years, with the option for up to a 2 year extension depending on contract performance. Cabinet approved the full 2 year contract extension in November 2014 following the achievement of the contractual Key Strategic Indicator (KSI) targets in 2012/13 and 2013/14. The HSC will terminate in October 2018 and a re-procurement exercise will be required.
- 9.2. Following an extensive review of all available delivery approaches for the highway service in 2010, Cheshire East Council opted to incorporate all professional and operational services into one contract and out-source. The primary objectives being to drive improvement in the network condition, increase value for money, improve residents' perception and modernise the service.
- 9.3. Through the Head of Service for Highways and Parking there is a significant volume of information relating to performance of the existing Highway Service Contract which will be reviewed by the Member Panel and Project Board including:
- Contractual Performance Indicators
  - Health and Safety
  - Network Condition
  - Resident and Member Satisfaction
  - Asset Management
  - Innovation and Best Practice
  - Communication and Engagement
  - Depot Strategy

## 10. Contact Information

Contact details for this report are as follows:-

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