

## Appendix 1 – Contract Strategic Aims and Objectives

Strategic Aim	Objectives for the Contract
Deliver Value for Money	Model needs to generate strong market interest
	Model needs to deliver efficiencies and ongoing VfM
	Model needs to promote innovation and continuous improvement
	Model should enable collaboration with public bodies and the supply chain
Maintain / Improve Network Condition	Model to enable a focus on Asset Management
	Model to enable long term planning
	Model is to have the capability and capacity to deal with potential increases in capital investment
Improve Customer Satisfaction	Model to be flexible to respond to changing customer needs and national priorities

## Appendix 2 – Outline Programme

<b>Activity / Milestone</b>	<b>Indicative Date</b>
Finalise Recommendations	March 2017
Cabinet Meeting	11 April 2017
Contract Notice Issue	June 2017
Shortlisting Completed	August 2017
Initial Tenders Submitted	October 2017
Negotiations Concluded	November 2017
Final Tenders Submitted	December 2017
Contract Award	March 2018
Contract Start	October 2018

## Appendix 3 – Market Engagement Summary

### Background

A Prior Information Notice was issued via the OJEU seeking market feedback on aspects of the new Highway Services Contract via a Questionnaire.

The questions are summarised in the table below:

Question No	Question
1	Level of interest in Model A (Integrated), on a scale of 0-5
	Level of interest in Model B (2 separate contracts), on a scale of 0-5
	Level of interest in bidding for both contracts if Model B was selected, on a scale of 0-5
2	Details of any proposed alternative Models
3	Service Period of 15 years
4	Mechanism for adjusting the Service Period
5	Ability to provide investment in assets
6	Use of the CPN Procurement Procedure

17 Questionnaires were received via the Chest by the closing date of 14<sup>th</sup> March 2017. 2 of the Questionnaires did not provide relevant information. Of the remaining 15 Questionnaires:

- 12 were from organisations that provide highway maintenance works and services (referred to as Contractors herein for ease)
- 3 were from organisations that provide professional services only (referred to as Consultants herein for ease)

This Appendix provides a summary of the market responses. All responses are anonymised and reflect the overall market views and not those of any one organisation.

### Question 1 – Level of Interest in Models

**Note:** For Models A and B, an interest level of 0-1 is classified as “not interested”; an interest level of 2-3 is classified as “neutral”; an interest level of 4-5 is classified as “interested”

#### Model A (Integrated)

Of the 3 Consultants, 2 were neutral and 1 was interested in Model A.  
Of the 12 Contractors, 4 were neutral and 8 were interested in Model A.

#### Model B (2 separate contracts)

Of the 3 Consultants, 3 were interested in Model B.

Of the 12 Contractors, 2 were neutral and 10 were interested in Model B.

#### Bidding for both contracts if Model B was selected

Of the 3 Consultants, none were interested in bidding for both contracts if Model B was selected. Of the 12 Contractors, 6 were not interested in bidding for both contracts, 5 were interested and 1 was neutral.

#### Conclusion and Recommendation

The market consultation indicates that both Models will be attractive to the market. However, should Model B be selected, there was reduced appetite for bidding both contracts, respondents largely indicating that they would choose one or other of the 2 contracts.

Model B (2 separate contracts) was the more attractive option to the Consultants and to those Contractors with more limited experience of local authority highway services. The key reason cited was that Model A would require them to form a Joint Venture to supplement their own service offering. Their preference therefore would be to concentrate on their core offering i.e. design or construction services respectively.

Model A (Integrated) was the more attractive model to those Contractors with more extensive experience in the delivery of local authority highway services. Of the 7 established highway services Contractors that responded, 6 preferred Model A to Model B. The reasons cited for this preference were:

- Greater efficiency resulting from:
  - a reduced number of interfaces,
  - reduced Contractor overheads,
  - the ability to design their team around the service rather than around interfaces with another organisation
  - reduced Council contract management time
- Greater effectiveness resulting from an ability to focus the Council's strategic aims and the asset.
- Greater collaboration resulting from their ability to bring established relationships rather than the partner being selected for them.

The 7<sup>th</sup> Contractor, even though their preference was for Model B, did consider that Option A provided an opportunity to be more efficient and asset-focussed.

The market consultation has confirmed that Model A has a high probability of generating significant market interest and tenders from the established local highway authority provider market.

Although the market consultation indicates that Model B would also be likely to generate market interest, only three Consultants responded to the Questionnaire. This low response rate may indicate that should Model B be selected, there is a risk that there could be a limited number of bidders for the professional services contract.

## **Question 2 – Alternative Models**

There were no alternative models proposed by the respondents and the majority considered that the Council had identified the two most appropriate Models. A number of minor amendments in the scope and / or ways of working under both Models were proposed and these will be considered during tender document preparation.

Conclusion and Recommendation

There are no further Models to be considered by the Council.

**Question 3 – 15 Year Service Period**

Of the 15 respondents, 12 were supportive of a 15 year period and considered that it provided an optimal duration for fleet investment as well as investment in other assets, people and the service. 2 considered that a period of 10 years would be appropriate and 1 considered that a shorter period would be preferable.

Conclusion and Recommendation

A 15 year Service Period will be attractive to the market and has the potential to produce optimal commercial and service delivery outcomes.

**Question 4 – Adjusting the Service Period**

Two options were put to the market for feedback. Option 1 was to award an initial Service Period (e.g. 7 years) that was then subject to extension based on performance up to the maximum of 15 years. Option 2 was to award the full Service Period, with break-clauses at pre-defined points if the Council did not want to continue for the full Service Period.

All respondents considered that there should be a mechanism to review or adjust the Service Period rather than award the full 15 years. Of the 15 respondents, 6 considered that Option 1 was preferable, 7 considered Option 2 to be preferable and 2 were neutral. Overall, none of the respondents expressed a strong preference for either Option. None of the respondents made a compelling argument for either Option or suggested there was any resultant commercial benefit for the Council.

Conclusion and Recommendation

The market would view either Option as acceptable. Therefore it is recommended that the Council look to award the full 15 year Contract duration, with a pre-defined mid-term break clause subject to performance and the Council's needs and constraints at that time.

**Question 5 – Investment in Assets**

Of the 15 respondents, 11 indicated that they would be prepared to invest in assets (including fleet and depots) and for the investments to be recovered during the Service Period. A number indicated that they have specialist investment arms.

Of the 4 organisations that would not be able to provide investment, 2 of them were Consultants.

Conclusion and Recommendation

It is considered that if the Council required the tenderers to provide investment funding, it would not be a barrier to participation and a competitive tender process.

**Question 6 – Use of the CPN Procurement Procedure**

All 15 respondents considered the use of the CPN Procedure as acceptable. A number of the respondents considered it to be the most appropriate Procedure and endorsed its use.

Conclusion and Recommendation

It is recommended that the Council use the CPN Procedure.