

Wiltshire Council

**Cabinet
24 July 2012**

Subject: Highways Consultancy Contract

Cabinet Member: Councillor Dick Tonge – Highways and Transport

Key Decision: No

Executive Summary

A large proportion of the Council's highways functions are currently delivered and managed by the Highways Consultancy Contract. The existing contract will end in November 2012 and there is a need to procure a new contract.

A review of existing and future expenditure and requirements for the highways service was carried out last year and considered options for future provision of the service. It was concluded that tenders should be invited for a new Highways Consultancy Contract to start on 1 December 2012.

Tenders have been invited in accordance with current procurement procedures. The six tenders received have been assessed in terms of quality and cost, using Quality/Price considerations of 50/50 as outlined in the report to Cabinet on 15 November 2011.

The detailed scoring and financial information is contained in a confidential report to be considered in Part 2 of this meeting.

Proposals

That:

- (i) the Highways Consultancy Contract be awarded as per the recommendation in the Part 2 report and
- (ii) Cabinet authorises the Service Director for Highways and Transport in consultation with the Cabinet Member for Highways and Transport to satisfy themselves as to the details regarding the Contract, and then to take all necessary steps to enter into the New Highways Consultancy Contract.

Reasons for Proposal

- (i) There is a need for specialist advice and support in connection with roads, bridges and related services, and this would be most economically provided by a Highways Consultancy Contract.
- (ii) The tenders were assessed in terms of Quality/Price division of 50/50 as set out in the report to Cabinet on 15 November 2011. The quality of the service is important because the contract is substantially involved with design work. Poor quality design can have a disproportionate effect on construction costs, especially in terms of capital road and bridge maintenance work which will form a large proportion of the workload.
- (iii) The most advantageous for the Council, taking into account quality and price, should be accepted in accordance with the procurement procedures. The detailed scoring and financial information is contained in a confidential report to be considered in Part 2 of this meeting.

Parvis Khansari
Service Director – Highways and Transport

Wiltshire Council

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Key Decision: No

Purpose of Report

1. To approve the award of the Highways Consultancy Contract.

Background

2. A large proportion of the Council's highways functions are delivered by the Highways Consultancy and Works Contracts. The contracts were initially awarded to Ringway and Parkman by the then Wiltshire County Council in June 1999, and were operated as a joint arrangement under the name of Ringway Parkman until May 2006. The contracts were then retendered as separate contracts and the Highways Consultancy Contract was awarded to Mouchel (formerly Parkman) and the Works Contract to Ringway Infrastructure Services.
3. The existing Highways Consultancy Contract was for five years from 1 June 2006 and was extended by up to eighteen months, subject to delivery of continuing satisfactory performance and value for money. The operation of this contract, which has had a value of £4 to £5 million annually, has been reported annually to the Scrutiny and Overview Committee. The current contract will end in November 2012.
4. In order to consider the best means of delivering the Council's highways service in the future, and to determine the appropriate procurement strategy, a review was undertaken of the current operation and expenditure of the highways and streetscene services. The review was reported to Cabinet in November 2011 when it was agreed that tenders should be invited for a contract for Highways Consultancy Services to commence on 1 December 2012.
5. The Works elements of the highways and streetscene service are the subject of a separate procurement exercise, which will be reported to Cabinet later this year.

6. The Highways Consultancy Contract will provide design services in connection with highways maintenance, road resurfacing, bridge maintenance and design, integrated transport, safety schemes, and supervision of works carried out by contractors. The contract also includes provision of specialist advice and assistance with regard to geotechnical work, traffic counts and studies, and other technical matters in connection with highways and related services. The consultant also currently manages the county's street lighting, traffic signals and highway trees, and provides development control services.

Main Considerations for the Council

7. In order to manage the procurement process of both the Highways Consultancy and Highways and Streetscene Contracts a Project Board has been established, which includes the relevant Cabinet and Portfolio holders and senior officers of the Council, and is supported by a Project Team comprising the Heads of Service and relevant finance, HR and procurement officers involved in the highways service.
8. Consultations have taken place with the relevant Heads of Service and support staff in order to fully understand the existing service delivery, budget pressures and factors likely to influence future service requirements in connection with highway consultancy services. The views of existing service supplier, other local authorities and potential bidders for the contract were sought in order to identify options and what would be attractive to the market. The process was the subject of an Opportunities Assessment and reports to the Procurement Board.
9. The original contracts in 1999 outsourced the delivery of highway services, but the opportunity was taken to ensure that a strong client was retained to deal with questions from members and the public. It should be noted that it is not proposed to outsource the day-to-day management of the highways service with the current proposals, as the value of having key expertise in-house is acknowledged. This contract delivers the technical and specialist aspects of the service where it would not be efficient for the Council to retain the expertise itself.

Options considered

10. There are various service delivery models being used by local authorities across the country for highways services. In the right circumstances these have the potential to achieve savings through procurement, and by providing a structure to generate savings and service improvements in the future. The particular model used will tend to reflect local circumstances and priorities, and that used by one authority may not be suitable for others.
11. The in-house provision of the full range of highways and technical services to be provided by the contract would not be feasible as some of the services provided through the existing contract are of a specialist nature, and it would not be practical or cost-effective for this Council to employ staff to carry out this work which is required intermittently and irregularly. These include specialist bridge design and works, major highway reconstruction and surfacing, and street lighting maintenance.

12. The appointment of a single supplier to provide all design and construction services would have the advantage of providing a single point of contact for the Council. There may be the potential for reducing supervision and management costs further, but there could be issues regarding the perceived reduced independence of those certifying payments or approving work. In 1999 the then County Council did give the successful tenderers for the Highways Consultancy and Works Contracts the opportunity to operate as a joint venture, and the single joint venture did provide initial cost savings. However, it created some difficulties, especially in connection with the operation of routine maintenance where the transfer of client responsibilities proved less successful than had been hoped.
13. The use of Framework Contracts to provide specialist services on demand, or to top up in-house provision, has benefits for some organisations. However, in Wiltshire these services are currently provided by external suppliers, and the more predictable workloads anticipated mean that it would be more efficient to have tendered contracts with as few suppliers as possible.
14. It has been proved with the existing Highways Consultancy and Works Contracts that with the right organisations it is possible to award separate contracts, and then set up an effective partnership to facilitate delivery. This arrangement has demonstrated the flexibility to improve and adapt to changing circumstances. The Council has learnt from the operation of the existing contracts, and has good experience of partnership working. The construction industry has also adapted to new ways of working, and such arrangements are now much more common. The use of Early Contractor Involvement and Service Delivery Teams with representatives of all parties has proved to be successful with the existing highway contracts.
15. When the matter was considered by Cabinet in November 2011 it was concluded that given the previous experience in Wiltshire, having separate contracts for consultancy and works would be the best way to achieve value for money, flexibility and service improvements. Tenders have therefore been invited for the Highways Consultancy Contract on this basis.

Scope of the Contract

16. The Highways Consultancy Contract will provide specialist technical advice where it is not economic for the Council to retain its own experts, or where access to additional resources or expertise may be required. The contract is based on the likely volume of work to be required, but this can be reduced to 50% without penalty to the Council.
17. The future Consultancy Contract would include the following services, which are all specialist services provided under the existing contract:
 - (i) Roads and Bridges design and supervision
 - (ii) Design and supervision of larger Integrated Transport Schemes
 - (iii) Management of Traffic Signals
 - (iv) Management of Street Lighting
 - (v) Management of highways trees and landscaping
 - (vi) Checking developer's designs as required
 - (vii) Traffic counts data and report
 - (viii) Advice on geotechnical matters
 - (ix) Design and supervision of major maintenance

18. The contract will be for five years, with possible extensions of up to two years. The award of the extensions will depend on the satisfactory performance of the consultant, which will provide an incentive for good performance. The achievement of efficiency savings will be a major consideration when considering whether to award any extensions.
19. The specialist services to be provided through the Highways Consultancy Contract predominantly involve road and bridge maintenance, and the management of related services. However, the contract also provides the opportunity for the supplier to provide a wider range of technical services to support the operations of the Council. Contracts of this type providing a wide range of technical services are well established, with a large number of capable service suppliers.

Attracting Bidders

20. In order to achieve the maximum benefit from the new contracts it was important that as well as being packaged carefully, the work was tendered in ways that would be easily understood and attractive to potential bidders. The tender documents were clear about what will be expected of potential suppliers so that they had a good understanding of the requirements and could price accurately.
21. Discussions were held with a number of key potential bidders at an early stage to determine what would be attractive to the market. It was clear that the size and scope of the potential contract in Wiltshire made it attractive to many of the larger companies successfully operating similar contracts elsewhere.
22. The response to the Official Journal of the European Union (OJEU) notice and the submitted pre-qualification questionnaires (PQQs) indicated that there was a high level of interest from major companies with good experience in this type of work.

Tendering Process

23. The contract has used the restricted procedure advertised in accordance with the EU Procurement Rules. This involved a list of tenderers being invited to bid following an initial selection process based on their capabilities and experience. This ensures that those being invited to tender meet the minimum requirements to deliver the services.
24. Following publication of the OJEU notice the PQQs were made available to potential providers from November 2011. A total of 31 enquiries from potential providers were received and PQQ packs were sent to them. In accordance with the procurement timetable, PQQ responses were required by 20 January 2012, and a total of 10 PQQ responses were received.
25. The questionnaire responses were scored in accordance with the methodology described in the PQQ documentation, and the top six scoring companies were considered to have met the selection, criteria, including financial assessment and included on the tender list. The companies invited to tender in order of PQQ scores were:

Atkins
Amey
Parsons Brinckerhoff
Mouchel
WSP
Halcrow

26. Tenders were invited on 9 March 2012, with tenders returned on 4 May 2012. During the tender period there were a number of requests for information from bidders which were responded to by e-mail. All six of the companies invited to bid submitted tenders by the deadline.

Tender Assessment

27. The bids were evaluated on a 50/50 Quality/Price basis as previously agreed by Cabinet on 15 November 2011. This recognised the importance of the quality required to deliver this service. Ensuring quality of design has a large effect on construction costs, especially in terms of capital road and bridge maintenance work which forms a large proportion of the workload. The quality of the design and supervision of this work will affect the quality and durability of the work. Poor design and supervision has historically resulted in additional costs.

Quality Assessment

28. The Tenderers were required to provide up to 10 suitable undertakings, along with associated measurement mechanisms for use during the Contract, in respect of each of the following Performance Objectives:
- General Management
 - Financial Management
 - Customer Service and Quality
 - Health and Safety
 - Staffing Matters
 - Service Development and Innovation
 - Information Technology
 - Environmental Management
 - Technical Performance - Quality
 - Technical Performance – Programme and Cost
29. The bids were assessed by a panel comprising the Service Director and relevant Heads of Service who have had extensive experience of the type of work being undertaken through the contract.
30. The outcome of the tender quality assessment is reported in the Part 2 item to be considered at this meeting.

Price Assessments

31. Tenderers priced a schedule of rates and items for the work likely to be required during a typical year under the contracts. This included a mixture of hourly rates for different types of staff where quantities were likely to be variable, fixed sums for identified elements of the works, and on-costs and multipliers to be applied in connection with currently undefined elements of the work. The submitted rates were assessed and an equivalent annual cost calculated.
32. The outcome of the price assessment is reported in the Part 2 item to be considered at this meeting.

Comparison of bids

33. The overall scores of the Consultants were combined to determine the preferred bidder. The full details of the assessment are described in the Part 2 item to be considered at this meeting.

Environmental and Climate Change Considerations

34. Existing services that are contracted through the highways and related contracts account for 12.57% of the Council's carbon footprint (Streetlighting – 7,084.03 tCO₂, Ringway – 816.38 tCO₂ and English Landscapes 250.6 tCO₂). The Council has a target to reduce its carbon footprint by 20% by 2013/14 and an aspiration to achieve a 50% reduction by 2020.
35. The procurement of new Highways Consultancy Contract offers the opportunity to obtain specialist technical support to achieve environmental improvements, especially in terms of reduced carbon footprint and recycling of materials in connection with the Works Contracts. The existing Highways Consultancy Contract has already introduced changes with the use of new road construction techniques to reduce landfill and the introduction of energy efficient lighting units.
36. The new Consultant will work with the Council to both accurately report emissions to the ECO Team and seek to reduce them in line with targets set out in the Council's Business Plan. With the increasing cost of fuel and Carbon Reduction Commitments (CRC) allowances this approach has the potential to improve the sustainability of the Contract and avoid exposure to increased costs in the future. The tenderers' approach to environmental considerations and innovation has been taken into account in assessing the tenders.

Equalities Impact of the Proposal

37. The ending of the existing Highways Consultancy Contract and the commencement of the new arrangements is likely to result in staff employed by the existing supplier having the right to transfer to employment with the new service suppliers in accordance with the TUPE (Transfer of Undertakings Protection of Employment) Regulations. The exact numbers of staff and operatives likely to qualify are not known at this stage, but could be in the region of 65 employees of the existing supplier. No Council staff will be transferred as a result of the award of this contract.

38. The successful tenderer has been required to demonstrate good practice in terms of employment policies and practices, and to conform to the Council's standards. The bidder's employment policies have been taken into account in considering the tenders.

Risk Assessment

39. The existing highways and related contracts deliver a significant proportion of the Council's highways activities. There are significant risks associated with these operations, especially in terms of health and safety, and in financial and reputational risks to the Council.
40. The appointment of a good quality supplier is important in managing and reducing these risks. The preferred bidder has demonstrated the ability to manage these risks, and has a proven track record with a number of similar local authorities.
41. A key risk is that the procurement and award process will not be completed in time to have a supplier in place for the required dates. This risk will be significantly reduced by the timely adoption of the proposals in this report.

Financial Implications

42. The financial assessment of the bids were compiled in line with the evaluation criteria within the invitation to tender (ITT) as detailed earlier in this report. The financial implications of the contract award are described in the Part 2 item to be considered at this meeting.
43. There will be potential for further savings through the new Highways and Streetscene Contract, which will have an annual value of about £27 million. The Consultant will be actively involved in managing and improving many aspects of the service, especially in connection with the roads, bridges and street lighting elements where the Consultant has significant input. Having good quality support from the consultant will be important in maximising the benefits from this larger contract.

Legal Implications

44. The Highways Consultancy Contract delivers and manages important aspects of the highway service, and helps ensure that the Council meets its obligations under the Highways Act and other legislation. The new Contract and the appointment of a suitable supplier will help ensure that the services are provided to the standard necessary for the Council to fulfil its statutory duties.
45. The transfer of staff under TUPE from the existing service supplier to any new supplier will be managed, with appropriate legal advice, as part of the contract procurement and transition process. This will include the protection of pension rights of transferring staff through either access to the Local Government Pension Scheme or a broadly comparable scheme, details of which will be negotiated with the new supplier.

46. It is important that the procurement process and contract award follow the processes set out in the PQQ and tender documentation in order to avoid legal challenges during the process which could delay or prevent the start of the Contract.

Options Considered

47. Future service requirements in connection with the highways service were reviewed last year when a range of options were considered, especially with regard to in-house and tendered services, and Cabinet agreed in November 2011 that tenders should be invited for the Highways Consultancy service.
48. Following publication of the OJEU notice the PQQs were made available to potential providers from November 2011. A total of 31 enquiries from potential providers, and 10 completed questionnaires were received by the closing date of 12.00 noon on 20 January 2012. A total of six companies were invited to tender.
49. The bids submitted have been assessed in terms of quality and price in accordance with the methodology set out in the documentation.

Conclusions

50. It is concluded that there is a need for specialist technical advice and support in connection with roads, bridges and related services and that this should be provided by awarding the Wiltshire Highways Consultancy Contract to the preferred bidder. The results of assessment to identify the preferred bidder is described in the Part 2 item to be considered at this meeting

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The following unpublished documents have been relied on in the preparation of this Report:

None

Appendices:

None