

Wiltshire Council

**Cabinet
18 December 2012**

Subject: Highways and Streetscene Contract Award

Cabinet Member: Councillor Dick Tonge – Highways and Transport

Key Decision: Yes

Executive Summary

The Council's highways and street functions are currently delivered by three separate contracts and an element of in-house provision. A review of future expenditure and requirements for the highways and streetscene service was carried out in 2011, when options for the future provision of the service were considered.

In March 2012 it was agreed by Cabinet that tenders should be invited for a new Highways and Streetscene Contract to start on 1 June 2013.

Tenders for the new contract have been invited in accordance with current legislation and Council procurement procedures. Six contractors were invited to tender, who all met the capacity and capability requirements as set out in the Pre-Qualification Questionnaire.

Five of the contractors submitted tenders, which have been assessed in terms of cost and quality, using Price/Quality considerations of 70/30 described in the tender documentation. All five contractors passed the minimum threshold with regard to quality scores.

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

Proposal

The proposal is to be considered as a Part 2 Item at this meeting.

Reasons for Proposal

- (i) There is a need for a specialist contractor to deliver the Council's highways and related services, and this would be most economically provided by through a single contract.
- (ii) The new Highways and Streetscene Contract offers opportunities for further cost reductions and for achieving service improvements from economies of scale, innovations and by incentivising the contractor.
- (iii) There are significant benefits that a major contractor can bring to the Council, including the provision of a new fully integrated communication system to provide a more responsive service to customers and deliver efficient operation.
- (iv) The tenders were assessed in terms of price and quality. Whilst the price is of vital importance, the quality of the service is also important because of the high value of the highways service to the Council and the public. Poor quality construction and implementation could have a serious effect in terms of road safety, costs and public perception of the Council.
- (v) The most advantageous tender 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.

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Wiltshire Council

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Purpose of Report

1. To approve the award of the Highways and Streetscene Contract.

Background

2. A large proportion of the Council's highways functions will be delivered by the Highways and Streetscene Contract. The original Highways Works Contract was awarded to Ringway and Parkman by the then Wiltshire County Council in June 1999, and was 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 Highways Consultancy Contract, which provides highway design and supervision services, was retendered earlier this year, and was awarded to Atkins. This contract is for five years from 1 December 2012 and may be extended by up to two years, subject to delivery of continuing satisfactory performance and value for money.
4. In order to consider the best means of delivering the Council's highways and streetscene services, 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, and in March 2012 it was agreed that tenders should be invited for a Highways and Streetscene Contract to commence on 1 June 2013.
5. The existing highways and streetscene services are provided by a number of separate contracts and an element of in-house provision. The existing Highways Works Contract with Ringway Infrastructure Services provides construction and highways maintenance services in connection with roads and bridges, including road resurfacing, drainage works, bridge strengthening and maintenance, improvement schemes, road markings, gully emptying and pothole repairs. This contract provides the Council's out-of-hours emergency response on the highway network, and delivers the Council's winter precautionary salting operation. The expenditure through the works contract is generally in the region of £22 million annually. The existing contract will end in May 2013.

6. The Council's highway street lighting is currently maintained by Balfour Beatty Living Places under a separate contract. The services provided include the changing of lighting units, replacement of lighting columns, installation of new lighting, renewal of equipment and replacement of damaged lights and illuminated traffic signs. The existing contract has a value of just over £1 million, and has been extended until the end of May 2013.
7. There are contracts for street cleansing and landscaping with English Landscapes, which were procured by the former West Wiltshire District Council. There are also contracts for grass cutting with English Landscapes in some parts of the former Salisbury District Council areas. These contracts have also been extended to the end of May 2013.
8. There are services which are delivered directly by Council employees in connection with street cleansing, grounds maintenance, and the maintenance of highways and streetscene vehicle fleet. The street cleansing and grounds maintenance operations are in those areas not covered by the former West Wiltshire and Salisbury District Council contracts.
9. Following the review of the highways and streetscene service, Cabinet approved the invitation of tenders for a single contract which would provide these services. The Highways and Streetscene Contract will provide works in connection with highways maintenance, road resurfacing, road safety schemes, bridge maintenance, integrated transport, street lighting maintenance, winter gritting, street cleansing, litter picking and routine highways maintenance operations. It is anticipated that it will have an annual value in the region of £27 million.

Main Considerations for the Council

10. In order to manage the procurement process of the contract 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, and a union representative.
11. 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 suppliers, other local authorities and potential bidders for the contract were sought in order to identify the package of works which would be most attractive to the market.

Options considered

12. There are various service delivery models being used by local authorities across the country for highways and streetscene 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 tends to reflect local circumstances and priorities, and that used by one authority may not be suitable for others.

13. The in-house provision of the full range of highways and streetscene services to be provided by the contract would not be feasible as many of the services provided through the existing contracts 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 works, major highway reconstruction and surfacing, and some street lighting maintenance.
14. 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 it is considered that it would be more efficient to have a single tendered contract with as few suppliers as possible.
15. It has been proved with the existing highways contracts that with the right organisations it is possible to 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 highway works and consultancy 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.
16. The matter was considered by Cabinet in November 2011 and March 2012, and it was concluded that, given the previous experience in Wiltshire, having a single highways and streetscene contract would be the best way to achieve value for money, flexibility and service improvements.

Scope of the Contract

17. The new contract will combine the services currently provided by the three different contractors and those provided by an in-house team. The main service to be provided under the new contract will include:
 - Local Highways and Streetscene – Street cleansing, litter picking, grass cutting, maintenance of public open space, Parish Steward service, footway and carriageway repairs, potholes, gully emptying, road markings and signing.
 - Highways Major Maintenance – Road resurfacing, surface dressing, road reconstruction, footway surfacing, road improvements and schemes.
 - Weather and Emergency response – Winter gritting, grit bins, response to flooding, emergency response to incidents on the highway.
 - Bridges and Structures – Bridge strengthening and repair, maintenance of retaining walls and other highway structures.
 - Street Lighting – Maintenance of lighting, replacement of damaged units, new street lighting and improvements.
 - Drainage and Flood Alleviation – Drainage surveys, improvements and flood protection works.

- Vehicle Maintenance – Maintenance of the winter gritting fleet.
18. Total expenditure through the contract is anticipated to be in the region of £27.000 million annually, incurring both revenue (approximately £12.000 million) and capital expenditure (approximately £15.000 million).

Potential Benefits of the New Contract

19. The contract has the potential to deliver a number of benefits for the Council:
- A single supplier will deliver the highways and streetscene services previously provided by two contractors and an in-house provider.
 - The street lighting maintenance will be carried out by the same contractor as the highways and street scene service, rather than being a separate contract.
 - The single service supplier will mean there is one point of contact, with simplified management to deliver efficiencies.
 - A number of service improvements are being included in the contract, including the establishment of Community Teams to build on the success of the Parish Steward Scheme.
 - The contract will make full use of new technology to improve communications and control of operations, and potentially improve the management of street lighting.
20. As well as delivering efficiencies, this has the potential to lead to more effective and responsive service delivery. A summary of the main anticipated benefits are included as **Appendix 1**.
21. The formation of One Council provided the opportunity to integrate the highways and streetscene functions, and achieve efficiencies and improve effectiveness by combining the services, both in terms of delivery and management. A Systems Thinking project has been undertaken to transform future service delivery in the local highways and streetscene service in trial areas.
22. The Systems Thinking review involved council staff, contractors and internal partners (e.g. HR and customer contact centre). Participation events were held with Town and Parish Councils and local community groups. The purpose of the service was identified during the early stage of the review as *‘working with the community to meet the needs of the asset and the community priorities whilst maximising the use of resources.’* It was concluded that there was an opportunity to improve community involvement and meet community priorities, which is the essence of the localism agenda and our corporate vision and goals.
23. As part of the review the Council is introducing Community Teams (assigned to a community area) who are empowered to set their own priorities in partnership with the local community ensuring the service undertakes the right fix, first time. Leading the team is a Team Co-ordinator, with the responsibility of being the local contact and organising community involvement. The Team Co-ordinator is supported by a specialist who looks after two community areas and the whole team will report to an Area Manager. The driver is to adopt a ‘Can Do’ approach, ensuring a customer first philosophy whilst strengthening communities to become more resilient themselves.

24. The intention is to continue the creation of Community Teams across the county with the new contractor taking the lead in forming the new teams. An important time for the new contract will be the lead in and start periods when the new contractor will need to manage the cultural transition of transferring employees and new recruits. The bringing together of a number of workforces currently with different employers will be a challenge for the new contractor and their proposals will be carefully considered as part of the tender evaluation before recommending a preferred bidder.
25. Improved Information Technology and new communications systems will be provided by the new contractor. This offers the opportunity to create a new fully integrated system to allow customers to report defects and concerns which are communicated directly to those doing the work. The technology has the potential to include work scheduling, reprioritising to react to events, and financial and cost information. Trials in connection with the Systems Thinking project have demonstrated the benefits and feasibility of these communications systems, which are becoming more effective and increasingly used by contractors to streamline their operations. Such a system is a key requirement for the future service provider, with the necessary equipment being supplied under the contract.
26. In order to make full use of the potential communications improvements it is likely that major changes to the existing website and Clarence reporting of defects and problems would be necessary in order to improve the customer experience. This will be the subject of a separate project to be developed in parallel with the start of the new contract. Existing systems are inadequate and there are now much better equipment and processes being used by other councils.
27. In order to improve the service and create the opportunity to achieve future cost savings the contract includes the potential provision of a Management System for street lighting. This would enable the timing and efficiency of the majority of street lights to be individually controlled centrally. Street lighting has been the subject of a recent public consultation, and is the subject of a separate report to Cabinet. If it is decided to proceed with changes to street lighting the procurement process for the equipment has already been completed as part of the new contract to allow early implementation and early realisation of benefits such as savings within the Council's revenue street lighting energy budget.
28. Since the introduction of the Area Boards, the Highways Service has taken significant steps to delegate decisions and budgets to local communities. Examples are the Parish Steward Scheme, Speedwatch, and Community Area Transport Groups. Since April 2010, £1.100 million has been handed over to Area Boards for funding locally identified and prioritised highways improvements. The direction of travel will undoubtedly require further involvement of communities in the decisions regarding service delivery during the life of the next contract. The new contract has therefore been designed to not only support the Council in developing resilient communities, but to add value to the process by offering innovative solutions that involve local communities.

29. The new contract will be capable of accommodating changes resulting from delegation of services to local groups or Town and Parish Councils. The Council will be able to transfer part of the service and the associated resources in response to requests for delegation to local level. The contract will have a mechanism for change of scope which will accommodate service delegation, asset transfer, or service withdrawal.
30. 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.

Procurement Process

31. 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.
32. 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.
33. 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 ensured that those being invited to tender met the minimum requirements to deliver the services.
34. Following publication of the Official Journal of the European Union (OJEU) notice the Pre-qualification questionnaires (PQQ) were made available to potential providers from March 2012. A total of 20 enquiries from potential providers were received and PQQ packs were sent out accordingly.
35. An open invitation was made to potential providers to attend a 'Candidates Open Day'. This was held on the afternoon of Friday 20 April 2012 in the Council Chamber at County Hall. A presentation was delivered to attendees which included the following:
 - General background information;
 - The proposed combination of existing service contracts;
 - Anticipated indicative expenditure;
 - Works included in each service area;
 - The partnership relationship (Client / Consultant / Contractor);
 - Contract management arrangements;
 - Contract objectives;
 - Local Highways and Streetscene Service information;
 - Key considerations:
 - Efficient and effective operation
 - Locally responsive service

- Carriageway repairs
 - IT and Communications
 - Procurement timetable
36. The Candidates Open Day was attended by representatives from 11 different potential providers.
37. In accordance with the procurement timetable, PQQ responses were required by 12:00 noon on Wednesday 2 May 2012. A total of eight PQQ responses were received.
38. 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.
39. Tenders were invited in June 2012, with tenders returned on 28 September 2012. During the tender period there were a total of 398 requests for information from bidders which were responded to by e-mail. Five of the companies invited to bid submitted tenders by the deadline. One advised that they would not be submitting a bid because they did not feel they could offer a competitive offer in the current circumstances.

Tender Assessment

40. The tender assessment process has recognised the vital importance of obtaining cost-effective services, but has also recognised the importance of the quality of the services provided by the contractor. Consequently, bids have been evaluated on a 70/30 Price/Quality basis in order to reflect the relative importance of these two aspects.
41. The Quality and Price elements of the bid were assessed separately, and the outcomes of the evaluations were then combined to obtain an overall ranking of the bidders.

Quality Assessment

42. The Tenderers were required to answer specific questions regarding how they would deliver the required services. These covered five main aspects:

- Management Arrangements
- Systems and Processes
- Operations and Methods
- Customer Care
- Performance, Innovation and Efficiency

43. The bids were assessed by a panel comprising the Service Directors, Heads of Service and other staff who have had extensive experience of the type of work being undertaken through the contract. The weightings given to each aspect of the Quality Questionnaire are described in **Appendix 2**. A threshold of 60% was applied to each section. It was indicated in the tender documentation that a tender with any scores below this level would be disqualified and not considered further.

44. Quality Scores were calculated for each tenderer by dividing their initial quality scores awarded by the panel by the highest initial quality score. Thus the tenderer with the highest initial quality score from the Quality evaluation is awarded a score of 100.00% and all the others are awarded Quality Scores pro rata to their *initial quality scores* (rounded to two decimal places).
45. The outcome of the tender quality assessment is reported in the Part 2 item to be considered at this meeting.

Price Assessments

46. Tenderers priced a schedule of rates and items for the work most likely to be required during a typical year under the contracts. This included a mixture of rates for different types of work, fixed sums for particular identified elements of the works, and on-costs and multipliers to be applied in certain circumstances. These rates were used to price a basket of items which represented the anticipated annual expenditure through the contracts.
47. The lowest average annual value calculated from the price assessment was awarded 100%. The cost scores for all the other tenderers were calculated by dividing the lowest annual value by each tenderer's average annual value in turn.
48. The outcome of the price assessment is reported in the Part 2 item to be considered at this meeting.

Comparison of bids

49. The quality and price scores of the tenderers 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.

Future Programme

50. Following the decision to award the contract there will be a ten day standstill period during which other tenderers may make a legal challenge to the award of the contract.
51. Subject to the outcome of the decision by Cabinet, and assuming no legal challenge is received, the intention is to enter into the contract as soon as possible in order to provide the maximum lead in time before the contract starts on 1 June 2013.
52. There will be a significant amount of preparatory work for the successful bidder in arranging the necessary plant and equipment, communications systems and infrastructure. There are also likely to be significant numbers of employees transferring from existing service suppliers and the Council to the new contractor. It will be important to establish a consistent culture and processes for meeting the employment obligations, especially in connection with the TUPE regulations.

53. The new contract will make a number of changes to the way services are delivered, including the formation of Community Teams, and these arrangements will have to be developed by the new supplier and agreed with the Council Officers. In order to monitor this process it is proposed that regular reports on progress should be made to the Environment Select Committee.

Environmental and Climate Change Considerations

54. 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. The new contract includes a requirement for the contractor to both accurately report emissions 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.
55. Existing services that are supplied through the existing contracts are estimated to 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). Of these emissions, allowances under the CRC Scheme are payable for street lighting as the Council is responsible for procuring and paying for electricity consumption. These allowances will be payable from 2014/15 onwards at an estimated cost of £128,000, a cost that is likely to increase year on year.
56. The Climate Change Adaptation Plan (2011-2014) outlines the risks the Council could be exposed to due to future climatic changes. With recent variability in weather conditions experienced in Wiltshire, this contract presents an opportunity to mitigate some of the risks associated with highways and streetscene services. There is the opportunity to achieve environmental improvements, especially in terms of reduced carbon footprint and recycling of materials. The existing highways contracts have already introduced changes with the use of new road construction techniques to reduce landfill and the introduction of energy efficient lighting units.
57. The maintenance of highways, verges, open spaces and watercourses carried out by the highways and streetscene services can have an important influence on the local ecology and environment in Wiltshire, and this will be reflected in future arrangements for the provision of these services.
58. Recent winters have been particularly severe, and have emphasised the importance of the precautionary salting and snow clearing which will be operated by the new contractor. The duties of the Council as Lead Local Flood Authority will increase the importance of responding to emergencies. The new contractor will provide an immediate response to flooding incidents in the county, with resources being increased in response to events. It is likely that flood alleviation and community protection works will increase in importance during the life of the future contract.
59. The tender assessment process has taken into account the environmental implications of the bids in the quality assessments.

Equalities Impact of the Proposal

60. The new contract will result in existing employees of service providers and the Council having the right under TUPE regulations to transfer to the new suppliers, and the successful tenderer will have to make the appropriate arrangements.
61. The successful tenderer has been required to demonstrate good practice in terms of employment policies and practices, and will conform to the Council's standards. The tenderers' employment policies have been taken into account in considering the tenders.
62. It is proposed to complete an equalities impact assessment of the group of Wiltshire Council staff who could potentially be TUPE transferred to a new provider. This is a two-stage process, with the second stage as part of the tendering process to check the impact on staff and on equal pay.
63. The staff currently employed by the Council on the streetscene elements of the service have been regularly updated on the progress of both the Systems Thinking Review and the procurement process. Meetings with the representatives of the trade unions have been held, and a Union Representative sits on the Systems Thinking working Group, the Contract Project board and on the Project Team.

Risk Assessment

64. There are significant risks associated with the Council's highway and streetscene operations, especially in terms of health and safety, and in financial and reputational risks to the Council. 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.
65. A key risk has been that the procurement and award process in connection with the Highways and Streetscene Contract 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

66. The financial assessment of the bids was compiled in line with the evaluation criteria within the invitation to tender (ITT) as described earlier in this report. The financial implications of the contract award are detailed in the Part 2 item to be considered at this meeting.
67. It is anticipated that as well as delivering immediate financial savings, the new Contract has the potential for delivering further savings through innovation and service improvements during the life of the contract. As part of the tender process, contractors have specified year on year efficiency targets which will allow future savings to be assessed in the medium term and not with just a short term view.
68. The financial plan 2013-14 has been put together with an assumption against those revenue budgets determined to be in scope for the new Contract to deliver a 10% saving.

Legal Implications

69. The Highways and Streetscene Contract will deliver important aspects of the highway service, and help 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.
70. The transfer of staff under TUPE from the existing service suppliers and the Council to any new supplier will be managed, with appropriate legal advice, as part of the contract 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.
71. It is important that the procurement process and contract award have followed 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

72. Future service requirements in connection with the Council's highways and streetscene service were reviewed in 2011 when a range of options were considered, especially with regard to in-house and tendered services, and Cabinet agreed in March 2012 that tenders should be invited for the Highways and Streetscene Contract.
73. Following publication of the OJEU notice the PQQs were made available to potential providers from November 2011. A total of eight completed questionnaires were received, and in accordance with the stated procedure six best scoring companies were invited to tender.
74. The bids submitted have been assessed in terms of quality and price in accordance with the methodology set out in the tender documentation.

Conclusions

75. The results of the assessment to identify the preferred bidder is described in the Part 2 item to be considered at this meeting. There would be significant financial and operational advantages in awarding this contract to the preferred bidder.

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

None

Appendices:

Appendix 1 – Benefits of New Contract

Appendix 2 – Quality Evaluation Weightings