

Cabinet – 29 November 2006**Highways Repair & Maintenance Procurement Strategy**

Portfolio: Councillor R Walker, Environment and Streetpride

Service Area: Built Environment

Wards: All

Forward Plan: Yes

Summary of Report

Cabinet previously gave approval for the preparation of an initial Option Appraisal and consequent Procurement Strategy to identify the preferred means of delivering highways repairs and maintenance services (HRM) across the Borough. The objective is to improve speed and quality of highways maintenance procurement and ensure improved delivery meeting efficiency requirements eg Gershon and recently introduced European and national procurement directives. The overriding objective is to improve the service, in accordance with the council Vision 2008, as measured by Best Value Performance Indicators (BVPIs).

This report advises Cabinet of the stages of appraisal and assessment and details the outcome and recommendations of this Review. It seeks approval to progress and implement the recommended Strategy.

Recommendations

- (1) That Cabinet authorises the Assistant Director of the Built Environment, in conjunction with the Portfolio Holder, to take all necessary steps to enter into a Partnered Framework Contract, for the improved delivery of highway maintenance services.
- (2) That Cabinet authorises the Assistant Director of the Built Environment, in conjunction with the Head of Personnel Services and Portfolio Holder, to address the consequent implications to staff currently employed with the Council in accordance with TUPE regulations.
- (3) That Cabinet authorises officers to prepare necessary OJEU advertisements for interested partners and enter into negotiations with those selected to arrange the most appropriate transfer of the service function and any staff affected under TUPE.
- (4) That Cabinet delegates to the Assistant Director for the Built Environment the authority to use specialist procurement advisers as necessary to assist with the implementation and appropriately frame the services.

- (5) That Cabinet note that in order to effectively deliver the proposal a Project Board will be established together with project management arrangements in accordance with the approved Walsall Project Management Methodology.

Report Detail

Introduction

Walsall Metropolitan Borough Council (WMBC) holds responsibility for the maintenance of some 856 Km (532 miles) of road networks excluding the M6 and A5 trunk road. This network has an asset replacement value of some £500 million and occupies a significant position in the West Midlands Local Transport Plan (LTP 2006).

Maintaining the condition of the road network and improving transport links are strategic features of reports generated by Central Government (Transport 2010); the 7 Metropolitan Authorities (Local Transport Plan 2006) and Walsall itself in its Highways Maintenance Strategy 2005 -2008 and Vision 2008. WMBC has sought to improve the delivery of Highways Repairs and Maintenance services over a number of years and now seeks a long term strategy for such delivery.

Delivery is currently achieved through a wide number of agreements and service providers together with an in-house provision known as Street Pride, see Appendix 2. This lack of capacity is exacerbated by a network which is largely life expired and a lack of significant capital funding. The net result is a backlog of works.

Background

Cabinet previously gave approval for the preparation of an Options Appraisal to identify the preferred means of delivering highways maintenance services across the Borough. The Environment Inspection undertaken during September 2004 also identified the need to consider effective delivery of all services. The objective is to improve speed and quality of procurement and meeting the requirements of the Department for Communities and Local Government (DCLG), formerly the Office of the Deputy Prime Minister (ODPM) and Gershon efficiency agenda. This approach should ensure maximum flexibility and the opportunity to access further resources.

Knowles Legal Services were appointed in March 2005 to produce the Strategy and assist through to delivery. Knowles have assisted and worked with DCLG in preparing best practice guidance for local authorities in the procurement field and are regarded as a leading company in the field of partnering and delivery of best value solutions within the context of public procurement regulations. The commission included a review and utilised relevant aspects of previous work carried out by Babbie Consulting.

Needs Analysis - July - October 2005

During August 2005 a series of workshop sessions were held with staff and internal stakeholders from Walsall to fully understand the service together with ascertaining views and perceptions on the provision of the highways maintenance service.

The main finding of the interviews and analysis undertaken was that additional resources were required across both design and implementation and that more clearly defined roles and duties were needed for internal service providers.

During this time a full reorganisation of the Planning and Transportation Service was undertaken to address many issues including those highlighted above. Currently,

Engineering and Transportation as part of the Built Environment, provide strategic policy and detailed asset management planning for Highways Repair & Maintenance and undertake the design of planned maintenance projects to a total value of around £5m per annum. Following the restructure concluded in December 2005, it now has sufficient design capacity and the necessary skills to deliver the required design elements of the planned maintenance programme.

Street Pride carries out resurfacing work on behalf of Engineering and Transportation but currently does not possess the skilled manpower or plant and equipment to deliver planned maintenance (major resurfacing) projects.

Procurement Strategy - January 2006 - August 2006

During January 2006 new European Procurement Directives were introduced and the Strategy complies fully with these requirements. The development of the Strategy also addressed and ensured conformity with Council initiatives such as the Strategic Transformation Programme which involved development of a procurement and commissioning strategy.

A full and detailed assessment of all services and options was undertaken considering all aspects and issues including timetable for delivery, variability, flexibility, value for money, affordability practicality, deliverability, procurement costs, impacts on human resources and risks. Soft market testing was also undertaken with major providers of similar services to assess the market interest in various options of values.

The consultant's recommendation is for an Integrated Partnership via a Framework Contract to be used to potentially consolidate many of the contracts currently in place. The objective is to improve speed and quality of highways maintenance procurement and ensure improved delivery meeting efficiency requirements. This will ensure benefits whereby there will be streamlined internal management with the Council retaining control of strategy, flexible resource for use by the Council as and when required, improved value for money through streamlined procurement and built-in efficiency targets available through contractual mechanisms (eg target cost; gain/pain).

This approach would ensure that the Council can demonstrate clearly that we are striving to achieve excellence of service delivery for the benefit of the community through a collaborative / partnering theme.

The strategy was prepared following an appraisal of the options available to the Council to deliver its highways repairs and maintenance service. A summary of this options appraisal is attached as appendix 1 to this report. Having assessed fully the consultant's report, the following strategy is proposed:

- Introduce a partnered framework agreement capable of delivering both planned and routine HRM and top-up services to the design team as required. (To be implemented during 2007/08)
- The agreement to take the form of a four year contract with a single supplier using a partnering ethos and the latest NEC3 contract forms incorporating value engineering, gain/pain sharing, co-location, target cost etc.
- Transfer of Street Pride highways team to supplier with potentially some 40no. staff/operatives transferring
- Ensure that any partner organisation provides a pension scheme similar or equivalent to the existing local authority scheme.
- Strategy and asset management planning to remain with Walsall Council.

- Explore opportunity for service provider to repair the depot and rent it for the contract duration
- Investigate scope for further use of Prudential Borrowing alongside the partnered framework. This has the potential benefit of securing adequate funding for highways maintenance to supplement the allocations from the Local Transport Plan capital and Council revenue provisions. This clearly demonstrates a long term strategy for improved service delivery and effective asset management.
- Undertake further development work to establish the precise scope of works required from the potential partner. An initial indicative scope has been identified and is included within the strategy and will be refined and defined during the procurement process - refer to appendix 2.
- Explore future opportunities for potential PFI Credits in parallel with the proposal to introduce a partnered framework. The Government is currently considering utilising the PFI approach to assist funding HRM nationally but due to the nature of PFI this will be considered over a much longer term. The recommended partnered framework will not preclude consideration of this in the future.

Resource and Legal Considerations

The recommended Procurement Strategy, if approved, will be implemented via Official Journal of the European Union (OJEU) procedures during 2006/07 to ensure conformity with all existing and related Council contracts which currently have been realigned to expire in March 2007. The timetable for implementation indicates that these will be extended for approximately a further four months.

The procurement process will accord with European and national requirements and Walsall Council's Financial and Contract Rules and subject to a sealed contract. The contractual arrangements adopted will be in compliance with recent Government directives. Matters to be addressed will include staff employment terms and conditions, ownership of assets, property deals, pension rights and financing arrangements.

Financial provision for progressing this project and implementing the approved recommendations have been subject to the Strategic Choices process and supplemented by the highways maintenance approved budget.

The approval of the recommendations and implementation of a partnered framework will demonstrate continuous improvement where significant savings should be achieved through time and cost of delivery.

With the increases in HRM funding over recent years the condition of the highway has improved as demonstrated by appropriate indicators (BVPI) with a consequent reduction in the assessed backlog in required repairs.

Consultations and Briefings Undertaken

Staff and trades union briefings have been undertaken. This procedure commenced on the 18th October with a presentation to all staff and union representatives potentially directly or indirectly affected and permitting a 3 week period for receipt of queries. The staff and union response received to date can be summarised as follows:

It is proposed that the recommended Strategy is considered by the Neighbourhood Scrutiny Panel prior to the Cabinet meeting and its views will be reported to Cabinet to inform its decision.

Citizen Impact

The implementation of a new procurement and delivery approach for highways maintenance services will maximise effective delivery for the benefit of the whole community. These improvements will ensure that the public benefit by receiving a service that delivers better value for money.

Community Safety

The improved service delivery will ensure that all roads and footways receive a higher standard of maintenance and therefore safer for all users

Environmental Impact

The delivery of the highways maintenance service conforms to the requirements of environmental issues and includes minimising pollution. This will all contribute to the Council's Vision and specifically to the objective of achieving excellence by 2008.

Every opportunity will be taken to address environmental considerations in the provision of works and so part of the specification for the partnered framework contract will be the requirement to recycle materials wherever practicable.

Performance and Risk Management Issues

The brief to the procurement specialist included the identification and preparation of options together with a timetable and for the identification of risks for any alternatives including financial, delivery, and personnel matters. The risks for each procurement option have been considered and are detailed within the Report together with the implications. A Project Team will be set up and a Project Management Process adopted which will include the development of the risk assessment and management regime to conform to the approved Walsall format.

Performance is monitored and with benchmarking with similar authorities indicators and targets of achievement should be improved.

The implementation of the Partnered Framework will be managed in accordance with the Council Project Methodology and a Team will ensure Risks are assessed and actively managed to conform with the timetable as included as appendix 3.

Equality Implications

None directly arising from the proposal

Vision 2008

This plan contributes towards priority two, 'make it easier for people to get around, ensuring all people are safe and secure and making it easier to access local services'.

It will contribute significantly in making Walsall an excellent Council through improved procurement, value for money and efficiency.

Background Papers

1. Report on Needs Analysis Workshops - Knowles - October 2005
2. Well-maintained Highways' Code of Practice for Highway Maintenance Management, published July 2005
3. Highways Repairs and Maintenance Procurement Strategy - Knowles - August 2006
4. Various Babbie Reports on Highways Maintenance Services - July 2004

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Signed: **Signed:**

Executive Director: Jamie Morris **Portfolio Holder: Councillor R. Walker**

Date: **Date:** Version 5 – 16 November 2006

Highways Repairs and Maintenance Procurement Strategy

Options Appraisal Summary

The following options have been assessed and considered as a basis for delivering HRM in Walsall:

- In-house provision *
- One-off contracts
- Voluntary outsourcing
- PFI*
- Framework Agreement*
- Integrated Partnership – Separate
- Integrated Partnership – Joint*

Those marked with an asterisk were selected for serious assessment, the outcome of which can be summarised as follows:

In-house provision:

There is insufficient capacity to deliver planned highways maintenance within Street Pride and significant capital investment would be required to provide the capability needed to overcome this. This option would not be able to satisfy the desire to tackle the backlog of works as the scale and cost of borrowing would be prohibitively high. Scope for further sustained use of Prudential Borrowing would need to be investigated.

Joint Integrated Partnership:

A joint integrated partnership would seek an external provider to supply both consultancy and works implementation in an integrated fashion

Advantages:

- Co-ordinated consultancy/works service
- Flexible resource for use by the Council as and when required
- Automatic value engineering of schemes as developed
- Streamlined internal management with the Council retaining control of strategy
- Improved VfM through streamlined procurement and reduction in clashes between design and implementation
- Built-in efficiency targets available through contractual mechanisms (eg target cost; gain/pain)

Disadvantages:

- Clearly defined roles required between internal and external resources
- Inappropriate partner selection
- Failure of partners to deliver best value
- Would not on its own address the backlog. Scope for further sustained use of Prudential Borrowing to be investigated

Framework Agreement

A framework agreement is one that establishes terms and conditions to be used on future contracts that are called off during the period of the agreement. It is suited to both consultancy services and the provision of works without a guaranteed value of work.

Advantages

- No need to run further procurement exercises during life of agreement

- No guarantee of contract value
- Flexible ordering or call-off of services required
- Contract terms agreed at outset
- Opportunities for continuous improvement of processes over period of repeated works / services
- Multiple suppliers for the same service may be selected

Disadvantages

- Limited to 4 years duration under Public Contracts Regulations 2006 unless “exceptional circumstances” dictated by the purpose of the contract require otherwise

Current Contractual Arrangements for the Delivery of Highways Repairs & Maintenance.

Walsall has many existing term maintenance contracts or service level agreements (SLAs) for the provision of HR&M Services. Those identified below are under consideration for inclusion in the proposed procurement strategy.

- 1. General highways maintenance, including winter service SLA (Street Pride)*
- 2. Minor highway maintenance and emergency works SLA (Street Pride)*
- 3. Surface dressing contract (RMS)*
- 4. Micro-asphalt contract (Kiely Bros.)*
- 5. Machine planing and resurfacing contract (Tarmac National Contracting/Street Pride)*
- 6. Prudential code highways maintenance programme contract 2004/06 (Birse CL)*
- 7. Road markings contract (Linkline Maintenance Services)*

