

Agenda Item 8.

TITLE	Highways & Transportation Contracts Renewal Update
FOR CONSIDERATION BY	Community and Corporate Overview and Scrutiny Committee on 18 June 2018
WARD	None specific
DIRECTOR	Josie Wragg, Interim Director of Environment
LEAD MEMBER	Keith Baker, Executive Member for Highways and Transportation

OUTCOME / BENEFITS TO THE COMMUNITY

The benefits of effective and efficient Highways and Transportation Services provided by these contracts are borough wide and include:

- Enable travelling around the borough safely for all highway users
- Manage the network minimising disruption, congestion ensuring timely journeys
- Provide suitably maintained and lit roads and pavements
- Ensure the primary network is clear of snow, ice and frost during the Winter time
- Support reducing car ownership and promote sustainable forms of transport and journeys including public transport, cycling and walking
- Control delivery of Council and third party highway schemes and infrastructure development to improve the network and support growth
- Promote and facilitate economic prosperity including catering for the delivery of goods, services and commuter journeys
- Provide safe access to education for school children and students
- Provide access to leisure services including the public rights of way network
- Cater for utility services including gas, water, electric and telecommunications
- Minimise resident and business risk to flooding and various environmental issues
- Maximise the use of resources and budgets to ensure value for money for highways users and the residents and businesses of Wokingham

RECOMMENDATION

Members are requested to consider and comment on the procurement progress to date, proposals for Contracts Award, and mobilisation programmed to ensure the contracts are in place in a timely manner and fully operational for the 1st April 2019.

SUMMARY OF REPORT

The report provides a comprehensive update on the re-provision of the term Highways and Transportation Contracts including:

- Background
- Stakeholder & Market Engagement
- Scope of Tendered Services
- Partnering, Governance and Contract Form
- Performance Management, Reporting, Review and Improvement
- Timetable and Contract Award

Background

Wokingham's highway asset is considerable, comprising of:

- 736 km Road length (Includes 8 km of non-Highways England motorway)
- 1,889 Adopted streets (18.5% of the network is traffic sensitive)
- 820 km Footway length
- 8 Million m² Highway Verges
- 250 Structures (including 166 bridges)
- 16,000 Street lights
- 30,000 Road gullies

It has a combined value of £4B comprising of £1.3B gross replacement cost plus £2.7B land value, and is the Council's most valuable asset relied upon by the majority of Wokingham's residents and businesses on a daily basis.

The network has been managed and maintained since 2008 by Wokingham Highways Alliance being a partnership comprising of Wokingham Borough Council (the Council), WSP Professional Services Consultancy Contractor (PSCC) and Balfour Beatty Living Places (BBLP) the term Maintenance and Construction Contractor (MCC) together delivering highways and transportation services to Wokingham. The Council also has a small structures/bridge maintenance contract with BBLP, a street lighting contract with BBLP and a gully cleaning contract with FM Conway, which all expire 31 March 2019.

The timing of these arrangements has been carefully programmed to allow new Highways and Transportation Services and contracts to be delivered holistically from 1 April 2019. It was recognised very early in the planning stages that engaging with stakeholders to understand their views on the existing services, what works well, where the problems are, and what should be improved for the new contracts was paramount.

Stakeholder Engagement

Key stakeholders were identified as: elected Members; Town and Parish Councils; senior Council officers; 21C team; ICT and customer services team; current Alliance partners; local businesses and of course most importantly Wokingham's residents who are the key users of the network and services. Throughout 2016-2018 there have been numerous activities to engage with stakeholders including: Member and T&P Council briefing events and workshops; officer workshops; service reviews; service and process design sessions; National Highways and Transportation (NHT) resident and business annual surveys conducted by Ipsos MORI. The Council also undertook an online Wokingham Transport and Highways survey from the Council website, with hard copies distributed around the community buildings and libraries around the borough during late 2017. The survey was very popular with over 1,000 residents and commuters completing the survey by the end of December 2017. The purpose of this engagement was to find out which parts of the highway network, and which services, are most important to customers, where problems were encountered and how customers preferred to interact. The opportunity was used to undertake transport visioning work, to understand what will become more or less important as we move into the future to 2036, which is the same period of Wokingham's emerging Local Plan and Local Transport Plan. Engagement provided data enabling the service to evolve to meet the needs of Wokingham's key stakeholders both now and into the future.

A high level summary of the stakeholder information is provided below:

Challenges to 2036?

Community Isolation
Affordable Housing
Congestion/Air quality
Move to a driverless world
Climate Change & Flood Risk

Opportunities to 2036?

Local Plan and Strategic Control
IL & Infrastructure Delivery
Improvement in IT & data
Public transport/walking/cycling
Health & Wellbeing

New Highways & Transportation Contracts from 2019 what is key?

- Customer Focus (self-serve, ICT, comms & expectation)
- Smarter Working (21CC ICT for staff & customers)
- One Team (partnership working/reduce man marking)
- Network Coordination (manage works & congestion)
- Network Resilience (operation & asset performance)
- Providing Flexibility (network & technological)
- Outcome based performance measures (shared vision)
- Congestion / Journey Times / Air Quality / Carbon Reduction
- Innovation / IT / Customer Experience & Satisfaction

A review of the Highways & Transportation service has been taking place as part of the Council's 21st Century Council programme. This is being implemented during 2018, designed where the Council structure will cater the current arrangements, but evolve to meet the requirements for the new contractual arrangements from the 1st April 2019. The form of the new contracts has been tailored to meet Wokingham's 21CC priorities which include:

- Focus on the customer experience
- Redesign processes around the ideal customer journey
- Inform customers what to expect and keep them up to date along the way
- Make processes digital by default, but with alternative access channels where appropriate
- Address issues at first point of contact
- Collect information once, and only if we actually need it
- Move as much work forward, to self-serve or customer facing roles as possible
- Move work quickly and easily around the organisation by using workflows and automated process prompts
- Automate controls within processes to ensure compliance
- Measure performance as part of the process/workflow to drive improvements
- Manage customer capability to enable customers to do more for themselves
- Manage customer demand to prevent and shape demand where appropriate

Market Engagement

As well as tailoring the contracts to Wokingham's stakeholder preferences and requirements, it was critical that the services tendered and contract commissioning model selected would attract interest and competition from the Highways and Transportation service provider market, which due to high levels of housebuilding and government investment in major infrastructure over recent years was of concern.

To mitigate this risk the Council hosted market engagement workshops during 2017. The initial June 2017 was a "Discovery" event hosted in the Council Chamber where the Council outlined to suppliers its current arrangements, what works well, what can be improved, and aspirations for the future contracts. This event was well attended by 24 organisations (please see Appendix A for attendance log). Further to the event comprehensive written feedback was submitted by 15 organisations. These 15 organisations represented the majority of the major players in the UK highway and transportation sector plus a selection of smaller and international organisations. Consequently, the Council was confident that the feedback was representative of the market's views of this procurement opportunity and the likely level of appetite and competition. A summary of this market feedback is provided below:

- The Council was seen as an attractive client due to its innovative approach and collaborative attitude.
- Wokingham was seen as an attractive location due to its geography and projected economic growth.
- Most of the professional firms were firmly in favour of a separate PSCC and a term MCC.
- Four suppliers that responded preferred an integrated (single) contract.
- All contractors proposed increasing the scope and the turnover of the contract in order to make it attractive.

Based on market feedback, options evaluation aligned to the government promoted Highway Maintenance Efficiency Programme (HMEP) procurement toolkit, and subsequent analysis, it was determined that the preferred commissioning model comprised of two contracts being:

- A PSCC
- A term MCC including street lighting, structures (bridges) and drainage

This model aligns most closely with the Council's objectives ensuring delivery of the full range of services, and ensured the continued interest of both the professional service providers and the majority of contracting organisations therefore maximising overall market appetite for this opportunity ensuring a competitive process and value for money (VFM).

A subsequent "Informing" event was hosted in the Council Chamber in September 2017, when the Council outlined to suppliers its proposals including the commissioning model, forms of contract, service scope. A discussion forum took place as part of the event, and a further opportunity was provided for suppliers to write in following the event stating their support, or highlighting any concerns at that time. Broad support was secured from the market, recorded in the final round of written feedback, and additionally a procurement timetable was agreed between the Council and suppliers, when both parties could ensure the resources required would be available.

Scope of Tendered Services

The current Wokingham Highways Alliance delivers the following services:

- Network Management
- Streetworks (Permits from 2015)
- Transport Planning
- Road safety
- Public and corporate transport support
- Asset Management
- Maintenance (reactive & planned)
- Street lighting
- Winter Services
- Flood Management & drainage
- Developer Works (s278/38)
- Projects (design and delivery)

The new contracts will continue to deliver this broad range of Highways and Transportation services. However market engagement and analysis to date has highlighted the following opportunities for further efficiencies and service improvement, which are currently subject to further discussion with suppliers, and with the Council's key stakeholders.

- The PSCC will be a strategic partner to the Council where the contract can be used to access the wide range of specialist skills and expertise.
- Routine elements of the PSCC services will be transferred to the Council.
- Reactive highway maintenance and highway inspection function will be transferred from the Council to the MCC.
- A design and build option for projects will be provided within the MCC.
- The MCC will host the ICT and CRM solution for routine highways enquiries for example: potholes repairs; gully cleaning and street lighting faults, delivering improved efficiency, service excellence and improved customer service.
- The Council's Housing stock (roads/pavements/lighting and drainage) and metalled public rights of way will be inspected and maintained within the MCC.
- An option to deliver street cleansing services from 1 April 2020.

Market engagement highlighted that increasing the value of spend through the contracts would make them more attractive to suppliers, and therefore more efficient. To meet this aspiration the Council engaged with the other five Berkshire Council's during 2017, who with the exception of the Royal Borough of Windsor and Maidenhead have submitted Expressions of Interest to access the contracts from 1 April 2019. A draft Service Level Agreement (SLA) has been issued where Wokingham Borough Council as the client would have control to ensure the third party request would not impact adversely on the services being provided in Wokingham. With Wokingham Borough Council's prior approval third party Berkshire Councils can access the services of both the PSCC and term MCC. Under the SLA third party Council's accessing the services would be charged by Wokingham Borough Council a Contract Access Fee. This collaborative approach is promoted by government and welcomed by the neighbouring Berkshire Councils. Additionally all of Wokingham's Town and Parish Councils are named to have access to use the contracts and services.

Partnering, Governance and Contract Form

Stakeholder and market engagement determined the key features of any future commissioning contract model would be focussed upon:

- Long-term relationships with suppliers focusing on shared outcomes
- Integration of the skills of the Council and suppliers
- Enable collaboration between all stakeholders
- Be sustainable, open and transparent
- Enables investment
- Encourage innovation, review and continual improvement
- Aligned with the 21CC programme

A shared vision focussed on outcomes, was considered paramount to forming a successful partnership ensuring the right cultures and behaviours within Wokingham's newly formed Highways Alliance. Suppliers were asked as part of the tender requirements to explain how their organisations would support this objective, including proposing a governance and organisational structure that will deliver both the strategic and operational requirements of the Wokingham Highways Alliance, ensuring true partnership working and collaboration, and proposals to ensure innovation, continual review and improvement throughout the life of the contracts.

The governance arrangements proposed, and to be agreed, will ensure that the Wokingham Highways Alliance partners and contracts are focussed aligned to the Council's strategic and operation requirements from the outset, and for the full term of the contracts. The procurement process is being overseen and steered by the Executive Member for Highways and Transportation Keith Baker's Highways and Transportation Contract Renewal Member Group, which is cross party and geographically dispersed to fully represent the borough of Wokingham. Additionally an officer Highways and Transportation Review Board has been operating since 2016 ensuring the commissioning model, contract form and services tendered fully meet the requirements of the Council, aligned closely with the emerging 21st Century Council operating model as it is embedded throughout 2018.

There has been a high emphasis, forming part of supplier's tender submission, to demonstrate their understanding of both the strategic and operational requirements of the newly formed Wokingham Highways Alliance, and how suppliers will support and bring expertise to the partnership. During mobilisation partnership and contract meetings at various levels including representation from elected Members and senior officers at Board, Partnership and Operational level will be designed, agreed and scheduled with defined objectives and terms of reference, ensuring appropriate governance, accountability, reporting and transparency.

The MCC procurement utilises the HMEP suite of documents promoted by government, which is a highways specific version of the NEC3 suite of contract documents, widely accepted throughout the industry. The core clauses are well understood and specific information is presented in a consistent manner; saving considerable time and effort for all parties. NEC3 and its derivatives are accepted by the Council's partner Shared Legal Solutions as an appropriate basis for contracts. As with the MCC, the PSCC procurement utilises the NEC3 suite of documents but, in this case, they are drawn from the Professional Services Contract set.

Further to the MCC and PSCC contracts the Council has requested a tri-party partnering NEC contract that will ensure the Council, the successful PSCC and the successful MCC, forming the new Wokingham Highways Alliance from 1 April 2019, will work in partnership as a contractual requirements from the outset, and throughout the lifetime of the contract term.

Performance Management, Reporting, Review and Improvement

The contract terms are seven years from 1 April 2019 with an option to extend for a further three years. It was acknowledged early in the process from stakeholder engagement, market feedback, the government promoted HMEP, industry best practice and NEC service contract's standard form that contract performance should be incentivised, beyond contract extension options. To meet the strategic aims of the Council including promoting partnership working, delivering service excellence and ensuring the right culture and behaviours within a Wokingham's Highways Alliance, financial incentivisation was determined would best meet these objectives. A punitive approach, focussed around financial contract penalties, was not considered appropriate to deliver the desired outcomes.

The new contracts are designed to place the controls and the risks for service and project delivery with the supplier. For example, if the supplier fails to complete a pothole on time, any financial or service risk, after the Council's due date, sits with the supplier. Contract law requires that any penalties (damages) must be commensurate with the level of loss that the Council (the client) has suffered. Following through this example, the Council carries no financial risk for failure by the supplier to meet the service requirements for the pothole, therefore it would not be possible for the Council to levy financial penalties in this instance.

Although the service and financial risk sits with the MCC in this example the Council is fully aware of reputational risk for unsatisfactory performance. The partnership, governance and contractual requirements set out in the previous section under Partnering, Governance and Contract Form will ensure that the Council, the successful PSCC and successful MCC forming the Wokingham Highways Alliance will be fully aware of strategic and operational requirements, what services are paramount to Wokingham's residents, and the need to react and be agile to changing corporate and political priorities during the life of the contracts.

The Council recognise the importance of service excellence and how performance is measured, reviewed and improved over the life of the contracts. In response the Council has designed and developed, in partnership with stakeholders and partners, a comprehensive draft Wokingham Alliance Performance Management Framework (Appendix B). The framework will form part of the new contractual requirements from 1 April 2019. Performance measures are summarised below under strategic, partnership and operational categories based upon an approach aligned with industry best practice, stakeholder engagement, supported by market feedback and considered proportionate to the tendered services considering their scope and value. Performance measures are designed to be reported at the stated frequencies and considered a reasonable resource demand on Wokingham's Highways Alliance partners for the duration of the contracts, mindful that performance reporting if unrestrained can become an industry in itself.

- 24 No. Strategic Performance Measures reported annually with some data reliant on existing reporting to DfT (Department for Transport), NHT (National Highways and Transportation Networks) and APSE (Association of Public Sector Excellence) with the objective to ensure delivery of the Council's corporate and political priorities aligned to Wokingham's Transport Vision and Highway Asset Management Objectives.
- 11 No. Partnership Performance Measures reported quarterly at Highways Alliance Board with the objective to promote partnership working, business improvement, innovation and the right cultures and behaviours within the Wokingham Highways Alliance.
- 26 No. Operational Performance Measures reported monthly via Alliance Partnership Meeting with the objective to promote contract governance, performance and operational delivery and compliance within the Wokingham Highways Alliance.

During mobilisation the draft framework (Appendix B) will evolve in partnership with the successful alliance partners and the Council's stakeholders, including agreement as to where the performance measures will be reported including some externally via ICT/web live dashboards with public access, some to selected stakeholders including elected Members, some to Council officers and some of a more technical nature potentially retained internally within the Wokingham Highways Alliance. Suppliers will have made assumptions regarding the value of financial incentive they will receive over the life of the contracts, which will have been factored into their Price submissions under the tendering process. This ensures the financial incentive being provided by the Council will deliver VFM for the investment, and this approach is considered to best meet the Council's requirements relating to performance.

Timetable and Contract Award

A project programme titled Highways and Transport Contract Renewal Programme for the renewal of these contracts is provided in Appendix C showing the numerous activities that have been satisfactorily completed to date, and what activities are required prior to the new contracts going live including during the mobilisation phase. The procurement process and activities to date are considered comprehensive, robust, aligned with best practice, and designed to best meet the Council's objectives over the period of the newly formed Wokingham Highways Alliance from April 2019. Key milestones of the formal procurement timetable was agreed with suppliers and the Council's procurement lead during market engagement during 2017:

1. Mid-January 2018 Issue Contract Notice & all documents
2. Mid-February Selection Questionnaires Returns (5 weeks)
3. Mid-March confirm Initial Tenders (8 weeks)
4. Early May Initial Tender Returns
5. Initial evaluation & Negotiation (2+4 weeks)
6. Mid-June Issue Final Tender (4 weeks)
7. Mid-July Final Tender Returns
8. August-September Evaluation & Full Council Approval- 20 September 2018
9. Contract Award – mid October (25 weeks mobilisation)
10. Contract Start – 1st April 2019

Programme items 1-4 are satisfactorily completed and have delivered their requirements. Extensive activities and evaluation items 5-7 are underway and being scheduled with suppliers over the Summer 2018, and the process has been designed with the outcome to Recommend a preferred PSCC and MCC for Full Council Committee Approval on 20 September 2018.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	0	0	0
Next Financial Year (Year 2)	0	0	0
Following Financial Year (Year 3)	0	0	0

Other financial information relevant to the Recommendation/Decision

Costs associated with new Wokingham Highways Alliance form and contracted services are being evaluated against the current PSCC (WSP) and MCC (Balfour Beatty Living Places) contracts, tenders received by the Council under the procurement process underway and a local benchmarking exercise, to ensure the contracts deliver VFM. Services are also being re-designed in line with the 21C programme, to ensure the new services and contracts are aligned with stakeholder requirements, and to ensure efficient services that deliver VFM.

Cross-Council Implications

No specific cross cutting themes

List of Background Papers

None

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