

By: Nick Chard, Cabinet Member – Environment, Highways & Waste
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To: Environment, Highways & Waste Policy Overview & Scrutiny Committee, 25 May 2010

Subject: Future Highways – Procurement Update

Classification: Unrestricted

Summary: This report provides an update for members of the Policy Overview and Scrutiny Committee on the procurement of the Highways operational and maintenance contract.

1. Introduction

Members will recall that on 21 April 2010, the Cabinet Member for Environment, Highways and Waste informed all county members that a decision had been made to procure a new highways maintenance contract. This report provides further information for members' interest.

2. Indicative Timeline

Publish OJEU notice and Pre-Qualification Questionnaire (PQQ)	20 May 2010
Open Day for prospective bidders	8 June 2010
Evaluate PQQ	19 July 2010
Competitive Dialogue process with five to eight bidders commences	30 July 2010
Outline solution stage with prospective bidders complete	16 December 2010
Detailed solution stage with prospective bidders complete	23 February 2011
Best and final offer	25 April 2011
Contract award	30 June 2011
Contract commencement	1 September 2011

3. Current Contractual Situation

The main term maintenance and consultancy contracts were re-tendered in 2006 and the three contracts shown in Figure 1 were awarded with an initial five year term to 2011 with possible annual extensions to 2016.

Figure 1

Contract	Provider	Overview of services
Network Management Term Maintenance Contract	Ringway	Reactive repairs and routine minor maintenance: <ul style="list-style-type: none"> ○ potholes and patching, ○ winter service, ○ streetlighting, ○ gully cleansing, ○ lining and signing; and maintenance/improvement schemes up to £1 million
Professional and Highway Consultancy Term Services Contract	Jacobs	Specialist advice and top-up design support
Intelligent Transport Systems Contract	telent	Routine maintenance of traffic signals and intelligent traffic systems

4. Progress to date

For some months the Executive Director for Environment, Highways & Waste has been reviewing the highways procurement strategy and developing options for future service delivery with the Cabinet Member and other key stakeholders. The debate has centred on two main issues:

- **value for money** – ensuring that KCC is obtaining the best value from the market at any given time.
- **delivery** – the ability of the provider to deliver work to time, budget and quality.

As a result of the review work, the decision has been made to re-procure the existing maintenance contracts and seek to:

- create a mixed economy of service providers;
- protect the delivery of routine maintenance;
- improve customer responsiveness;
- provide commercial tension;
- provide opportunity to constantly test the market to provide demonstrable value for money;
- incentivise innovation;
- build increased capability across KHS;
- allocate risk to the most appropriate party.

Much of the *planned* maintenance work, largely capital-funded, will be handled outside the new contract arrangements and will be subject to regular competition through separate procurement processes. This will include, but not be restricted to, the

programme of resurfacing and surface dressing and major streetlighting renewal programmes.

There will be a highways core services contract(s) for routine maintenance to be awarded in early summer 2011 and with the following scope:

1. routine maintenance (carriageway, footway, structure repairs);
winter service;
emergency and out of hours response;

It is essential to have such a core services contract to provide an adequate resource (vehicles and drivers) to deal with any eventuality and especially throughout the winter service.

A 'competitive dialogue' process will determine whether the following services should also be included in the core services contract to drive greater economies of scale and deliverability resilience:

2. drainage, gully emptying and repairs;
3. signs and lines maintenance;
4. integrated transport services (with the ability to spot tender);
5. streetlighting (with some capital to be spot tendered);
6. traffic systems;
7. professional services (so as not to deter opportunities for design and build solutions);
8. highway surfacing.

If potential suppliers cannot demonstrate adequately the benefit of combining these services in one core services contract, any or all of the services listed as numbers 2 to 8 above will be removed from the scope and procured in separate, parallel, procurement streams. Senior officers are very clear that it is for the market to demonstrate the benefits of aggregation as it runs counter-intuitive to KCC's approach of disaggregation and market competition.

KCC will reserve the right to supplement these core services through top-up contracts with other providers if it so chooses.

The Professional and Highway Consultancy Term Services Contract will continue beyond 2011 but kept under close review.

5. Next Steps

Officers are currently preparing the contract notice that will appear in OJEU (the Official Journal of the European Union) and this will seek expressions of interest in the contract. Significant interest is expected, and a Suppliers' Day is planned for 8 June to give prospective bidders the opportunity to hear more about the County Council's requirements and the procurement process. An invitation to this session will be extended to members of the Environment, Highways and Waste POSC and it is hoped that at least some of the Committee will be able to attend.

Members may find it interesting to note that a number of neighbouring authorities are also currently re-tendering their highways contracts, most notably Essex and Surrey.

A further update will be given to the Policy Overview and Scrutiny Committee at its July meeting.

6. Recommendations

Members are asked to note the content of this report and to indicate whether they may wish to attend the Suppliers' Day on 8 June.

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