

WIRRAL COUNCIL

SUSTAINABLE COMMUNITIES OVERVIEW AND SCRUTINY COMMITTEE – 18TH NOVEMBER 2009

REPORT OF THE DIRECTOR OF TECHNICAL SERVICES

NEW HIGHWAY AND ENGINEERING SERVICES CONTRACT – SIX MONTH PROGRESS UPDATE

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to update Members on the progress of the new Highway and Engineering Services Contract after the first six months and to seek endorsement to report to Committee in Summer 2010 with a formal Annual Contract Review including the outcome of the proposed Gateway 5 Benefits Realisation Review described in the report.

2.0 BACKGROUND

2.1 Award of Contract

2.1.1 On 13th March 2008, Cabinet approved a short-list of seven contractors who successfully passed through the Pre-Qualifying Questionnaire stage to be invited to tender for the new Contract (Minute 560 refers).

2.1.2 These tenderers were invited to submit tenders under the Restricted procedure and by the return date of 4th September submissions had been received from six companies:

- Morrison Construction
- Wirral Council Operational Services
- Edmund Nuttall
- Colas
- Carillion
- Balfour Beatty

2.1.3 Five of the six tenderers submitted a single “compliant” bid and Morrison Construction submitted a “variant” bid in addition to their “compliant” bid.

2.1.4 The “quality” aspect of the tender evaluation model with a 30% weighting consisted of responses to a number of Method Statements under the following headings: Service Provision and Ability to Perform, Policy Matters including Compliance with Legislation and Management Approach and Vision for the Service.

2.1.5 The “cost” aspect of the model with 70% weighting consisted of a basket of works and corresponding quantities where possible likely to be found in a typical financial year under the new Contract.

2.1.6 A robust tender evaluation process was carried out led by the Director of Finance (Corporate Procurement Unit) including officers from legal, human resources, finance and technical disciplines and a scoring matrix setting out the results of the tender evaluation exercise.

2.1.7 Based on this exercise, the preferred provider by a significant margin was Colas Limited.

2.1.8 Cabinet formally awarded the Contract to Colas at their meeting on the 16th October 2008 (Minute 246 refers).

2.1.9 At a subsequent Cabinet meeting on the 27th November 2008 the detailed proposed efficiency savings to be delivered through the new Contract were identified, noted and agreed (Minute 268 refers).

2.2 Contract Mobilisation

2.2.1 Following the award of the Contract in October 2008 robust project management arrangements were introduced jointly with Colas Limited to ensure the successful execution of the Contract Mobilisation phase.

These included the establishment of a detailed Project Plan consisting of several work streams detailed as follows

- People and Communications:- Covered all aspects of the new Colas management structure and the complex issue of the TUPE transfer of Operational Services staff.
- Depot and Offices:- Colas to occupy Dock Road depot initially. Revised leases to be drawn up, installation of Colas own ICT equipment together with training on the use of the existing (but revised) Council Systems linked to the workings of the Contract.
- Plant, Vehicles and Equipment:- Colas to determine their own requirements for these headings plus any items of equipment that could be leased from the Council's Transport Section.
- ICT:- A large and difficult part of the mobilisation process. Major changes in the form of works ordering and financial management systems were required. Extensive and invaluable assistance was required from IT services in the Department of Finance.
- Operations and Work Programmes:- Discussions were held on the various requirements of the Contract in terms of the way works could be ordered, programmed and paid for.
- Management Systems:- Key areas here included payment processes and the development of a Performance Management Framework.

2.3 Gateway 4 Readiness for Service Review

2.3.1 The Gateway 4 Readiness for Service was undertaken by 4P's on 16th and 18th February 2009.

2.3.2 The review team found that much good work had been achieved in the context of a robust procurement. However there were some factors to be managed.

- Detailed consideration to be given to the complex admission to the Merseyside Pension Fund – now resolved satisfactorily.
- Opposition party involvement – Senior members of the opposition group of Councillors to be briefed on Contract progress and to be involved with the development of the Contract in future – now complete.
- Outstanding clarifications raised during the tender period to be resolved before Contract signature – now complete.
- Further development of a risk management approach. The formulation of a specific risk sub group within the Management Structure of the Contract dealing with risk items at regular meetings.

2.3.3 The findings of the Gateway 4 review were presented to Cabinet on the 19th March 2009 (Minute 424 refers).

2.4 Partnership Management and Governance

2.4.1 A robust and clearly defined approach to partnership management and governance is an important aspect of the new Highway and Engineering Services Contract and can be instrumental in achieving a number of significant benefits. These include:

- Ensuring an appropriate management and governance framework to properly manage the day-to-day business of a large strategic service Contract, including the effective use of management and performance information
- Improved communications between Council Client and Partner Contractor representatives at all levels, with reporting on a “highlight/ exception” basis to ensure information/ issues are considered at the appropriate level within both organisations
- Improved working relationships between representatives from both organisations through a “cascading approach” to dispute resolution
- An effective vehicle for driving continuous improvement and achieving added value from the Contract, supported by a formal Partnering Agreement.

2.4.2 Terms of Reference and Key Functions at the respective levels of engagement are set out in the attached chart in Appendix 1.

2.5 Partnership Development

2.5.1 The initial months of the Contract have seen both parties working together to produce a Partnering Agreement and Charter.

2.5.2 Through a Partnering Workshop on the 10th July 2009 it was possible to develop a Charter from the common goals discussed and to look at the Strengths, Weaknesses, Opportunities and Threats affecting the Contract and how both parties can jointly maximise and minimise those outcomes identified. These are expressed as Our Aims, Mutual Objectives and Team Values within the Charter.

2.5.3 Also now complete is the Partnering Agreement. This is a voluntary arrangement entered into by both Parties with a prime purpose:

- to provide a forum for open discussion and exchange of information and ideas;
- to establish an approach and mechanism for developing and sharing the benefits of improved performance of the Contract;
- to establish an approach and mechanism for problem solving in the Contract to the mutual advantage of the Council and Colas;
- to establish a forum for agreeing a strategic approach to improving the Contract performance to the mutual advantage of the Council and Colas;
- to establish a framework to enable improvement and innovation and promotes best practice and is responsive to legislative changes;
- to further the concept of continuous improvement in service delivery by learning from other service providers;
- to bring together other organisations and agencies to identify possibilities for future joint action.

3.0 OPERATIONAL OVERVIEW – FIRST SIX MONTHS

- 3.1 On the 1st of April, the Contract start date, some two hundred works instructions were issued to Colas all of various priorities and types of work. These reactive and routine works were quickly supplemented by surfacing schemes, microasphalt surface treatment programmes, footway slurry and surface dressing programmes.

From April to September the following work has been completed:

77408 square metres of carriageway surfacing
99,000 square metres of microasphalt treatment
21,000 square metres of carriageway retread
60,000 square metres of surface dressing
65,000 square metres of footway slurry

Footway Improvements:

Grove Road, Wallasey
Belvidere Road, Wallasey
Magazine Lane, Wallasey

Traffic Schemes:

Drop kerb programme
Puffin crossing
Birkenhead Bus Station improvements
Toucan Crossing
Three pedestrian refuges

Safety Schemes in Heron Road and Brimstage Road.

In addition to these works there have been a number of road marking improvements and cycle schemes.

The lighting section have undertaken improvements in Belvidere Road, Claremont Road, Rodney Street, Christchurch, Prenton Dell Road and Torrington Road.

Some 25,000 gullies have been cleansed and a number of repairs to drainage assets have been completed.

Since April to September some 3,500 highway, 6,000 lighting works and over 200 drainage instructions have been issued.

This huge amount of work has been completed faster than in previous years and with very few complaints.

- 3.2 Work has also been undertaken on a customer care procedure which includes customer satisfaction questionnaires, so future performance monitoring will provide information on letters being sent out on time, and time taken to undertake the works and customers expectations.
- 3.3 The delivery of the new Highway and Engineering Works Contract has been a complex project with many of the work streams on-going to provide continuous improvements within the next few years. The Contract is still at an early stage but progress has been good and work delivery for most of the works has been beyond expectations.
- 3.4 Further detail in relation to this Operational Overview will be provided by Colas in the form of a presentation to the Committee.

4.0 PROPOSED GATEWAY 5 BENEFITS REALISATION REVIEW

- 4.1 Members will no doubt recall the procurement exercise for the new Contract was conducted using the Office of Government Commerce's "Gateway" process and it is proposed that in Summer 2010 a formal Gate 5 Benefits Realisation Review will be undertaken.
- 4.2 The Review will be carried out by the external Local Partnerships organisation (formerly 4Ps) and the purpose of the Review will be to establish the extent to which the qualitative and quantitative benefits that were identified during the procurement exercise as part of the business case for the new Contract have been brought to fruition.
- 4.3 It is proposed that the outcome of this Review will be reported to the Committee as part of a formal Annual Contract Review report.

5.0 FINANCIAL AND STAFFING IMPLICATIONS

- 5.1 The annual works value of the Highway Maintenance Term Contract is approximately £8 million, comprising £4.6 million revenue and £3.4 million capital.
- 5.2 The Contract is to be administered from within existing staff resources.

6.0 EQUAL OPPORTUNITIES IMPLICATIONS

- 6.1 There are no implications under this heading.

7.0 COMMUNITY SAFETY IMPLICATIONS

- 7.1 There are no implications under this heading.

8.0 LOCAL AGENDA 21 IMPLICATIONS

- 8.1 There are no implications under this heading.

9.0 PLANNING IMPLICATIONS

- 9.1 There are no implications under this heading.

10.0 ANTI-POVERTY IMPLICATIONS

- 10.1 There are no implications under this heading.

11.0 SOCIAL INCLUSION IMPLICATIONS

- 11.1 There are no implications under this heading.

12.0 LOCAL MEMBER SUPPORT IMPLICATIONS

- 12.1 There are no implications under this heading.

13.0 BACKGROUND PAPERS

- 13.1 No background papers have been used in the preparation of this report.

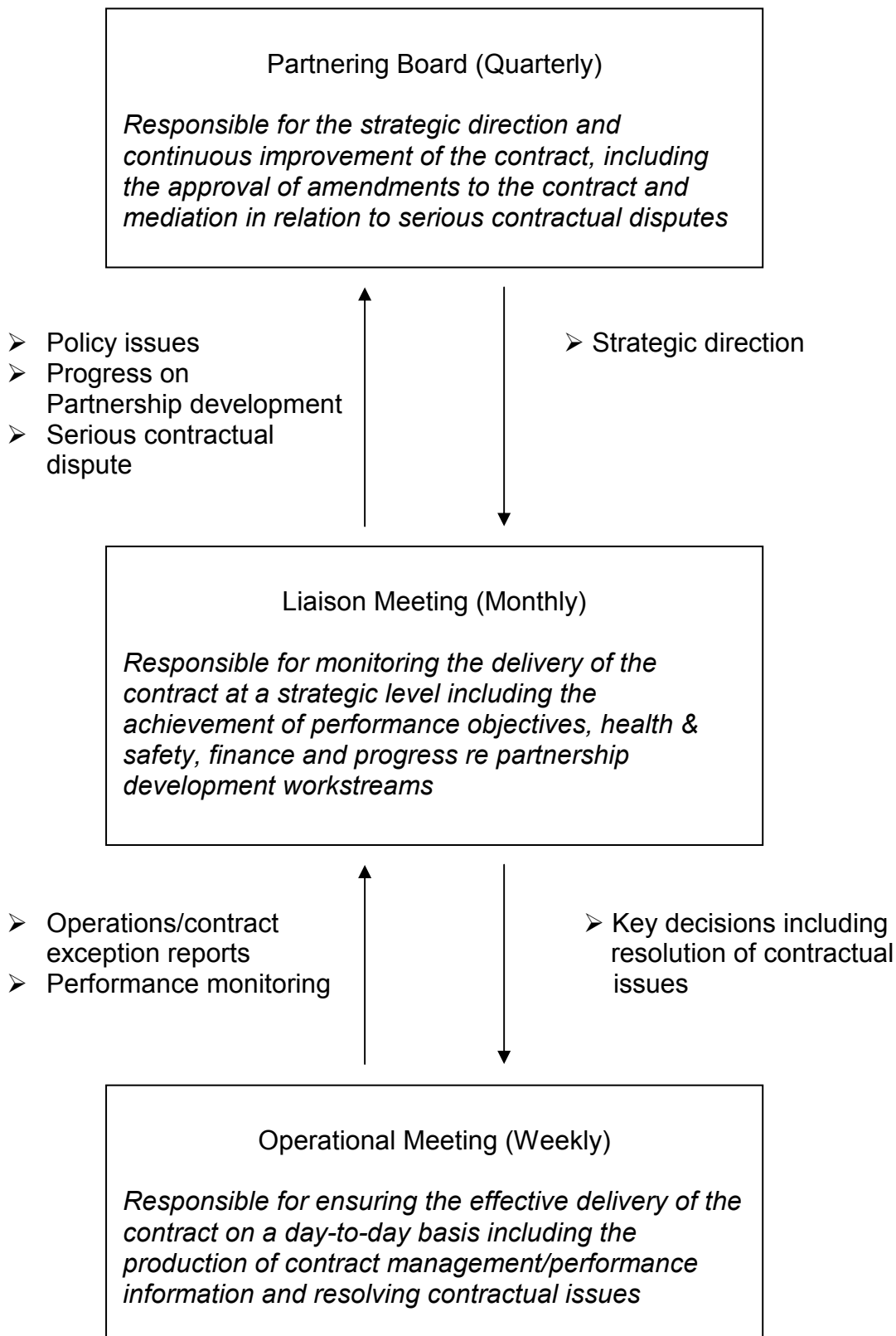
14.0 RECOMMENDATIONS

14.1 Committee is requested to:

1. Note the progress of the new Highway and Engineering Services Contract during the first six months as outlined in this report;
2. Endorse the proposal to report to Committee in Summer 2010 with a formal Annual Contract Review including the outcome of the proposed Gateway 5 Benefits Realisation Review described in the report.

DAVID GREEN, DIRECTOR
TECHNICAL SERVICES

COLAS WIRRAL – PARTNERSHIP MANAGEMENT AND GOVERNANCE



Note: Nominees for the Partnering Board and Liaison Meeting are as stated in the Partnering Agreement