

WIRRAL COUNCIL

CABINET – 26th JULY 2007

REPORT OF THE DIRECTOR OF TECHNICAL SERVICES

HIGHWAY MAINTENANCE AND ENGINEERING WORKS TERM CONTRACT – OPTION APPRAISAL & OUTLINE BUSINESS CASE UPDATE

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides an update of work carried out by the Council's Consultants, Capita Symonds, on the development of an Options Appraisal on service procurement packages in order to formulate an Outline Business Case for the Procurement Exercise.
- 1.2 Members are asked to endorse the recommendation of Capita Symonds to proceed with further research into three service options, the commencement by Officers of procurement processes for the extension of existing Highway Maintenance and Engineering Services Contracts, the use of the Gateway Process in the form of Gateway Review 1 and the use of specialist advice from KGK Environmental Ltd.
- 1.3 This is a key decision first included in the Forward Plan.

2.0 BACKGROUND

- 2.1 Cabinet resolved on 25th January 2006 that in order to allow a full strategic review and options appraisal of a new Highway Maintenance and Engineering Works Term Contract the existing Highway Maintenance Surfacing Contracts should be re-tendered for the period from April 2007 to March 2008. This will allow that all Highway Maintenance and Engineering contracts will expire on 31st March 2008.
- 2.2 The purpose of these extensions is to allow the Council the opportunity to fundamentally review the way it has let contracts for the maintenance of its highway assets in the past and to provide options for future provision.
- 2.3 A report was presented to Cabinet on 4th October 2006 which outlined the proposed procurement process for the provision of a new Highway Maintenance and Engineering Works Term Contract.
- 2.4 At that meeting, Cabinet agreed to endorse various aspects of this procurement process, including the use of the Gateway Project Review process, project management structure and the use of professional and technical support for the exercise.

3.0 PROFESSIONAL & TECHNICAL SUPPORT

- 3.1 The Cabinet report of 4th October 2006 highlighted the need to obtain specialist assistance early in the procurement to develop an option appraisal on all possible service procurement package options in order to formulate an Outline Business Case (OBC) for the Procurement Exercise.

External consultants, in the form of Capita Symonds were appointed in December 2006, using the Council's Consultants Framework Agreement to conduct an options appraisal and produce an Outline Business Case.

3.2 Capita Symonds has produced two Interim Reports dated February 2007 and June 2007.

These reports were reviewed in detail by the Highway and Engineering Services Procurement Exercise Members Group (HESPE – formed in accordance with the Cabinet approval at their meeting on 4th October 2006) at a meeting held on 27th June 2007.

3.2.1 Capita Symonds Interim Reports 1 and 2

The two Reports provide detail of how Capita Symonds have drawn up a full list of 12-service options and by using information from market testing, internal and external consultations, together with professional experience and have reduced the original 12 options to a short list of 3:

- Option 2a** In-house provision plus external support (existing arrangements largely maintained – status quo). ‘The Benchmark Option.’
- Option 5c** Single service with single provider (existing client functions with specialist contracts retained, works currently undertaken by Operational Services packaged and outsourced to external partners.
- Option 6b** Total service with single provider (Managing Agent Contract arrangement. Thin client function retained, remaining client functions and works packaged and outsourced to a single integrated external partner).

The Interim Reports also highlight the four procurement procedures available for the Procurement Exercise:

- i Open procedure.
- ii Restricted procedure.
- iii Competitive procedure.
- iv Negotiated procedure.

3.2.2 At their meeting on 27th June 2007, the HESPE Members Group endorsed the Capita Symonds recommendation to proceed with further detailed research into service options 2a, 5c and 6b.

4.0 TIMESCALES FOR PROCUREMENT EXERCISE AND LINKS WITH EXISTING HIGHWAYS AND ENGINEERING CONTRACTS

4.1 The HESPE meeting on 27th June 2007 was advised that in view of the current progress in the new Procurement Exercise it was not possible to award and implement a new Highway and Engineering Services Contract on the originally proposed date of 1st April 2008. It will, therefore, be necessary to arrange suitable forms of Contract extensions to the existing Contracts which all conclude on 31st March 2008. The process will fully comply with the Council's Contracts Procedure Rules, UK Procurement legislation and EC Procurement Directives.

4.2 Members of the HESPE Group endorsed the need for officers to commence processes for extensions to existing Contracts and for officers to report back on progress at relevant stages. Members also considered that any new Highway Maintenance and Engineering Contracts should become operational not later than 1st April 2009.

5.0 GATEWAY REVIEW PROCESS

5.1 Cabinet have already endorsed the use of the Gateway Review Process for the Highway Maintenance and Engineering Works Term Procurement Exercise. The Gateway Review 0 held during 27, 28 and 29 November 2006 was reported to Cabinet at their meeting held on 25th January 2007. An update on action taken to implement the Review Team's recommendations was presented to the HESPE Member Group on 17th January 2007.

5.2 Members of the HESPE Members Group at their meeting on 27th June 2007 resolved that a Gateway Review 1 be scheduled with the 4ps for September 2007. 4ps have now scheduled the Review for 11th, 12th and 13th September 2007.

6.0 EXTERNAL PROFESSIONAL ADVICE – PROJECT ADVISOR

6.1 The Gateway Review Process is critical to the successful procurement of a future Highway Maintenance and Engineering Works Term Contract. At the meeting held 4th October 2006, Cabinet were advised that the use of an experienced Project Advisor will assist greatly in the Gateway Reviews and with the Procurement Exercise itself. Cabinet resolved to retain Mr G Kaufman of KGK Environmental Ltd on an 'as required' basis to advise and assist the Department throughout the Gateway Review process until 31 March 2007 on the same rate of remuneration as applied to his involvement with the previous Environmental Streetscene Procurement process.

6.2 On this basis, it is recommended that Cabinet approves the appointment of KGK Environmental Ltd (as described in Section 5.1) to provide specialist advice until 31st March 2008 in accordance with paragraph 5.2 of the Contract Procedure Rules.

7.0 SUMMARY

7.1 The purpose of this report is to update Members on the progress of the Highway Maintenance and Engineering Works Term Procurement Exercise. In particular, the report describes the actions and recommendations of Capita Symonds, the Council's appointed Technical Consultant for a short list of three service options to be the subject of a further study in order to provide a final recommended service model as part of an Outline Business Case for the Procurement Exercise. The report also details future actions with regard to a 4ps Gateway Review and seeks authority to retain the services of a Project Advisor for this exercise.

8.0 FINANCIAL AND STAFFING IMPLICATIONS

8.1 At this early stage it is difficult to determine what level of total finance will be necessary for the full Procurement Exercise. However, it is proposed to contain the expenditure for the Project Advisor within existing budgets. In the long term, it is anticipated that this process will achieve significant service efficiencies.

9.0 EQUAL OPPORTUNITIES IMPLICATIONS

9.1 Equal opportunities will be considered as part of the procurement process.

10.0 PLANNING IMPLICATIONS

10.1 There are no implications under this heading.

11.0 COMMUNITY SAFETY IMPLICATIONS

11.1 The provision of an effective, efficient highway maintenance regime assists with the Council's function of providing an element of Community Safety.

12.0 HUMAN RIGHTS IMPLICATIONS

12.1 There are no specific human rights implications arising directly from this report.

13.0 LOCAL AGENDA 21 IMPLICATIONS

13.1 Sustainability issues will be considered as part of the procurement process.

14.0 ACCESS TO INFORMATION ACT

14.1 The previous report to Cabinet on 25th January 2006 was used in the preparation of this report.

15.0 LOCAL MEMBER SUPPORT IMPLICATIONS

15.1 The contract involves work locations throughout the Borough.

16.0 RECOMMENDATIONS

That:

(1) the recommendation of the Capita Symonds Interim Report No. 2 to proceed with further research into Options 2a, 5b and 6b (as described in Section 3.2.1) be endorsed.

(2) the action for Officers to commence procurement processes for the extension of existing Highway and Engineering Services Contracts from their existing termination date of 31st March 2008 to a future date not later than 31st March 2009 (as described in Section 3.3.1) be endorsed.

(3) a 4ps Gateway Review 1 be scheduled for September 2007.

(4) the appointment of KGK Environmental Ltd (as described in Section 5.1) to provide specialist advice in accordance with Paragraph 5.2 of the Contract Procedure Rules until 31st March 2008 be approved.

DAVID GREEN, DIRECTOR
TECHNICAL SERVICES