

<p>COUNCILLOR PHIL DAVIES LEADER</p>	<p>INDIVIDUAL CABINET MEMBER/ LEADER DECISION REPORT 23RD JULY 2018</p> <p>RE-COMMISSIONING OF HIGHWAY SERVICES FROM OCTOBER 2018</p>
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REPORT SUMMARY

This report sets out the business case benefits and rationale for bringing Highway Services back under Wirral Council's control from 1st October 2018 and seeks authority to be given to officers to award contracts to eligible suppliers for the delivery of the commissioned elements of the service.

The Council and contractor Bam Nuttall (BAMN) recently agreed that the current strategic contract for Highway services, worth approximately £6m per annum would come to an end on 30th September 2018 after a six month extension to an original four year contract that commenced in April 2014.

Following an options appraisal process approval was given in November 2017 to bring the Highways contract back under Wirral Council's control from 1st October 2018. The proposed operating model from this date will be a part commissioned / part direct delivered model, which roughly equates to 65/35 split respectively.

In accordance with Contract Procedure Rules it is proposed that two procurement routes are taken for the commissioned elements. Restricted tender for the 'planned structural and transport' capital schemes and the Constructionline framework for the 'planned routine and reactive' revenue work.

There are no changes to service policies or standards associated with the re-commissioning of these services however this matter is considered to be a Key Decision based on their financial value, which is approximately £6m per annum. These services are delivered across all Wards.

In terms of Wirral Plan Pledges, these services directly contribute to the Transport and Technology Infrastructure Pledge which in turn plays a key role in supporting many of the outcomes under the Business and Environment themes in the Plan.

RECOMMENDATION/S

The Leader of the Council is requested to:

- (1) Note the business case benefits and rationale for bringing these services back under Wirral Council control from October 2018; and
- (2) Delegate authority to officers to award contracts for both 'planned structural and transport' capital schemes and 'planned routine and reactive' work via two procurement routes, Restricted tender and the Constructionline framework respectively, as outlined in Section 7.0 of this report.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Completion of the necessary procurement processes is necessary to ensure service delivery arrangements are in place for October 2018 when the current contract arrangement expires. This is especially important for the day-to-day routine work such as pothole and street lighting repairs that ensure the Council meets its statutory obligations as Highway Authority.
- 1.2 Both the Restricted tendering and the Constructionline framework are compliant with UK Procurement Regulations and the Council's Contract Procedure Rules.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 A decision report to recommission these services, including the commencement of the necessary procurement processes and market engagement, based on a 'direct control with external contracts' model was approved by the Leader of the Council on 27th November 2017.
- 2.2 A Highway Services Project Board consisting of senior officers from across the Council considered available commissioning options via a Strategic Business Case process.
- 2.3 Continuing with the status quo (i.e. going out to tender with another single provider strategic contract) was considered to be unviable based on commercial considerations, the significant risk of not being able to achieve value-for-money and the challenging timeframe for re-commissioning a single provider model.
- 2.4 A large proportion of the work in this area relates to capital-funded structural/specialist maintenance and by its nature this work has to be undertaken by specialist external contractors hence a full 'in-house' approach was not possible.

3.0 BACKGROUND INFORMATION

- 3.1 Wirral's highway network, the Council's biggest asset, is currently worth £2.48 billion and consists of approximately 1,200 kilometres of road, which is currently maintained via a strategic contract with BAM Nuttall (BAMN).

The contract, which started in April 2014 and is worth around £6 million per year, will come to an end on 30th September 2018 having been extended for 6 months past its original four year term. The following service areas are covered by the current contract:

- Carriageways, footways
- Drainage, culverts and drains
- Street Lighting
- Signs and road markings

- Structures
- Winter maintenance
- Coastal protection infrastructure maintenance
- Minor highway improvements

3.2 Approval was given in November 2017 to bring the Highways contract back under Wirral Council's control from 1st October 2018. The proposed operating model from October will be a part commissioned / part direct delivered model, which roughly equates to 65/35 split respectively.

Commercial Management Service will commission out planned structural schemes worth approximately £4m per annum. This will be capital-funded activity such as 'plane out and resurface' schemes, specialist surface treatments and minor improvements – usually undertaken by specialist highway sub-contractors and instrumental in enabling the Council to achieve its overall highway condition performance indicators

Delivery services, supported by external (sub) contracts where necessary, will mobilise operations and carry out day-to-day routine / reactive revenue-funded activities such as pothole and street lighting repairs worth approximately £2m per annum. This is work that was traditionally undertaken by resources directly employed by the main contractor and crucial to enabling the Council to discharge its statutory responsibilities as a Highway Authority. Once under Wirral Council control service level agreements will be in place between Delivery Services and any internal service clients.

Client based functions such as highway inspections and work scheduling will still continue to be carried out and controlled by the Council.

4.0 BUSINESS CASE BENEFITS AND RATIONALE

4.1 Following an options appraisal process approval was given in November 2017 to bring the Highways contract back under Wirral Council's control from 1st October 2018.

4.2 Transferring back under Council control was the most viable option which would ensure continuity of the service from October 2018 whilst developing the full business case for the future delivery of the service as a whole.

4.3 It is considered that the overall Business Case benefits will be realised during a phased approach as part of an overall transformational programme. Case studies have been identified where significant benefits beyond the traditional approach are being realised by local authorities that place a broader range of Council services, not just Highways, into a wholly-owned Council company enabling economies of scale to be realised and delivered in a more commercial and cost-effective manner.

4.4 This 'lift and shift' then 'transform later' approach is recommended by CIPFA as key to success.

The “lift and shift” phase relocates the people, activities, knowledge and information back into the council. The service becomes fully embedded within the Council creating the support infrastructure required for the new service to run effectively, whilst at the same time enabling Wirral Council to get the basics right from the start prior to transformation.

The transformation phase will utilise new technology, innovation and best practice to redesign how the service goes forward in the future. These foundations will create the opportunities for future growth and income generation which can be reinvested back into front line council services.

- 4.5 By taking back control Wirral Council will have direct control over service provision which through getting the basics right will improve customer satisfaction throughout each phase.

5.0 WORK UNDERTAKEN TO DATE

- 5.1 This project is part of a full transformation programme that will eventually review how the Highway Maintenance Service is delivered in the future.

- 5.2 The vision as outlined in the Strategic Outline Case is to deliver a model that will:

- Be operational from October 2018
- Deliver the strategic objectives of the service
- Support the pledges in the Wirral Plan: 2020 vision
- Offer opportunities around future efficiencies, growth and income generation

- 5.3 Key activities to date include:

- Negotiating the current contract termination
- Setting up a cross – council project board to manage both de-mobilisation of the current contract and mobilisation of the new contract back under Wirral Council
- Setting up the necessary processes to govern the project
- Collecting baseline information on current contract operations, processes, assets, people and third parties
- Securing support from the current contractor
- Developing the Communication Strategy to ensure all key stakeholders are kept informed
- Developing the Performance Management Framework (**see appendix 1**)
- Ensuring that staff affected by the transfer are kept informed and supported throughout the process
- Setting up a robust risk management procedure
- Carrying out soft market testing to test the appetite of commercial civil contractors
- Engaging with peers around current practices and lessons learnt
- Securing funding to purchase ICT, small plant and equipment

6.0 A FINANCIALLY SUSTANABLE SERVICE

6.1 Stabilising service costs by utilising more cost effective options around the commissioned elements (e.g. capital infrastructure schemes and planned maintenance) will be a key requirement for both the Commercial Management Service and Delivery Services.

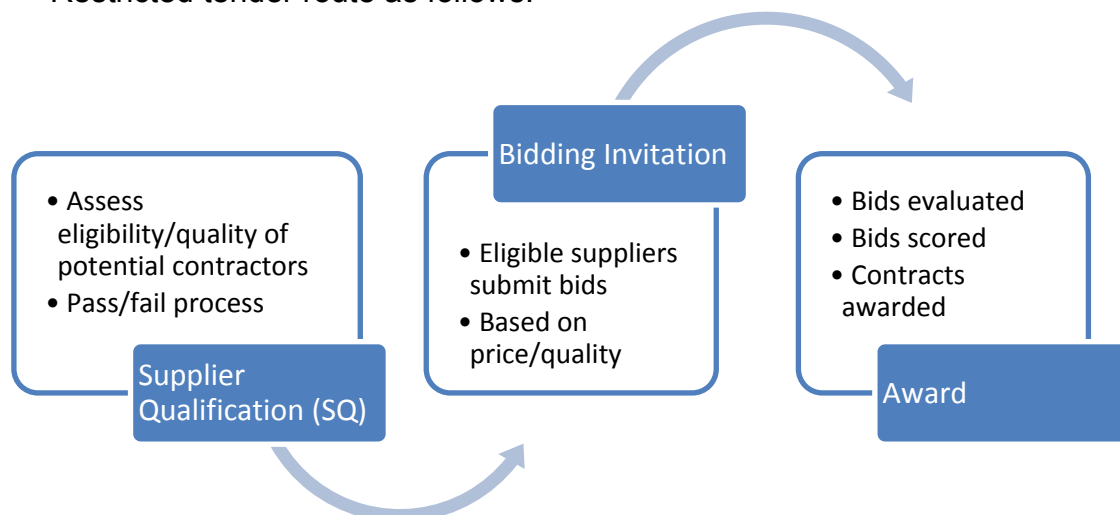
6.2 Currently the contract is entirely managed by BAM Nuttall (BAMN). Elements such as 'planned structural' schemes and 'planned routine' maintenance are currently sub-contracted out by BAMN to tier two sub-contractors. It is believed that by bringing the contract back under the control of the Council, the Council will achieve savings by contracting with contractors direct.

7.0 PROPOSED TENDERING PROCESS

7.1 In accordance with Contract Procedure Rules it is proposed that two procurement routes are taken for the commissioned elements, Restricted tender for the 'planned structural and transport' capital schemes and the Constructionline framework for the 'planned routine and reactive' revenue work.

7.2 All contracts tendered will adopt the NEC3 TSC Option A contract.

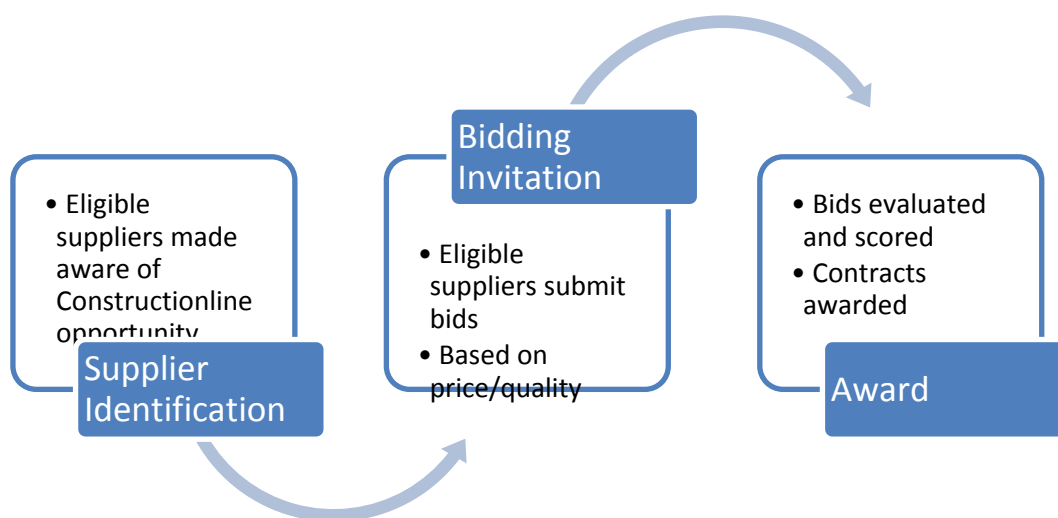
7.3 The 'planned structural and transport' capital schemes will follow the Restricted tender route as follows:



The table below details the scope, packaging and values associated with the 'planned structural and transport' contracts:

Contract	Period/Duration	Est. Value
Surface Dressing Processes	12 months (+12 months extension – subject to performance)	£320k
Micro asphalt processes	12 months (+12 months extension – subject to performance)	£800k
Slurry sealing processes	12 months (+12 months extension – subject to performance)	£30k
Carriageway structural resurfacing	12 months (+12 months extension – subject to performance)	£1m
Civil Engineering – Highway and Traffic improvements including drainage	12 months (+12 months extension – subject to performance)	£1m
Civil Engineering – Minor carriageway and footway improvements	12 months (+12 months extension – subject to performance)	£1m
Civil Engineering – Sustainable transport improvements including off-road locations	12 months (+12 months extension – subject to performance)	£200k

7.4 The smaller ‘planned routine and reactive’ revenue work will use the Constructionline framework route as detailed below:



The table below details the scope, packaging and values associated with the 'planned routine and reactive' contracts:

Contract	Period/Duration	Est Value
Routine/planned bitmac and HRA patching repair (carriageway and footway) North Wirral	18 months	£350k
Routine/planned bitmac and HRA patching repair (carriageway and footway) South Wirral	18 months	£350k
Carriageway markings and white lining	18 months	£90k

8.0 FINANCIAL IMPLICATIONS

8.1 The combined annual budget for the Highways contract is approximately £6m per annum. This consists of:

Service Area	Work Type	Approximate budget £m	
Commercial Management Services	Planned structural and transport schemes	£4.0	Commissioned out through restricted tender to external contractors
Delivery Services	Day-to-day routine / reactive revenue repairs	£1.2	Delivered direct utilising directly employed staff (including 25 staff currently employed by BAMN)
		£0.8	Commissioned out through the Constructionline framework to external (sub) contractors

8.2 It is anticipated that there will be financial efficiencies by bringing contracting functions back under the direct control of the Council especially on the Routine/ Reactive (revenue funded) side, however these are likely to be in the medium-long term and cannot be confirmed at this stage.

8.3 A Service Mobilisation allocation of £100k has been set aside from existing mainstream revenue budgets to cover the cost of mobilising the new operational service. In addition, £305k has been approved in the Council's

Capital Programme to cover costs associated with depot premises, equipment and vehicles.

- 8.4 BAMN delivers the current contract out of Prenton Depot in Prenton, Wirral. The depot, leased BAMN is wholly owned by Wirral Council. The lease will expire on the 30th September 2018 after which the depot will pass back to the Council and be used as the operational base for the new service going forward.

9.0 LEGAL IMPLICATIONS

- 9.1 The proposed procurement process will continue to fulfil the Council's statutory obligations to maintain the highway network in a condition fit for its purpose in accordance with Section 41 of the Highways Act 1980.

10.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 10.1 Investment in new ICT equipment is necessary in order to issue and complete work. This equates to approximately £20k funded from the Service Mobilisation allocation (refer 9.3).
- 10.2 In terms of staffing, approximately 25 BAMN employees will be eligible to transfer to the Council under the Transfer of Undertakings and Protection of Employment (TUPE) Regulations when the current arrangements cease on 30th September 2018. Staff on the 'client' side (Commercial Management Services) will not be directly affected by this re-commissioning exercise.
- 10.3 In terms of assets, BAMN delivers the current contract out of Prenton Depot in Prenton, Wirral. The depot, leased by BAMN is wholly owned by Wirral Council. The lease will expire on the 30th September 2018 after which the depot will pass back to the Council and be used as the operational base for the new service going forward.
- 10.4 £305k has been approved in the Council's Capital Programme to cover costs associated with depot premises, equipment and vehicles.

11.0 RELEVANT RISKS

- 11.1 A project risk log has been established in accordance with the Council's defined project management and risk management protocol.
- 11.2 The Project Board will continue to manage the progress of the project and to apply measures to mitigate unexpected risks if any should develop.

12.0 ENGAGEMENT/CONSULTATION

- 12.1 Engagement with the service provider market has taken place via two soft market testing events.

- 12.2 A number of peer councils were contacted to learn from their experiences during similar exercises they had carried out.
- 12.3 Regular engagement and updates for trade union representatives and staff, both with the Council and with BAMN, have been an important aspect of the project and will continue over the next couple of months to ensure a smooth transition to the new arrangements.

13.0 EQUALITY IMPLICATIONS

An Equality Impact Assessment is attached - <https://www.wirral.gov.uk/communities-and-neighbourhoods/equalityimpact-assessments/equality-impact-assessments-2017-0>

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APPENDICES

Performance Management Framework

REFERENCE MATERIAL

Strategic Outline Case (available from report author)

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Leader Decision Report	November 2017

