



Committee and date

Audit Committee

23 March 2011

10.00am

Item No

4

Public

REPORT ON THE PROCESS UNDERTAKEN TO DATE FOR THE HIGHWAY AND ENVIRONMENT TERM SERVICE CONTRACT

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Summary

Following a request by Members at a recent training session, this report reviews the tendering process so far undertaken to award the Highway and Environment Term Service Contract which Shropshire Council is procuring jointly with Cheshire West and Chester Council.

Recommendation

- A. Members note the progress and steps taken so far and planned.

Report

1. The Council's current contract with Enterprise (AOL) Ltd will expire in April 2012 and accordingly procurement action was required to put the required contract out to competition. In addition Development Services have been involved in reviewing ongoing requirements as part of the transformation process. This has led to more services being included within the requirements for the contract.
2. Agreement was also reached with Cheshire West and Chester Council to work collaboratively and undertake a joint procurement. Shropshire Council is leading the procurement on behalf of both authorities with procurement and advisers costs being shared.
3. The two Authorities are looking for one main contractor to undertake the whole of the required works and services and for economies of scale achieved by having a sole contractor for both lots, if this is the most economically advantageous option.

4. The Contracts will cover public works, which may include, but are not limited to various programmed and reactive works connected with the highway infrastructure and environment in both Authorities' areas as well as works which create or improve assets such as traffic, drainage, highway, traffic signals, street lighting, bridges, retaining walls and other structures. It is also anticipated that the contract will include, but again not be limited to, services connected with the maintenance of vehicles and equipment, grounds maintenance, landscaping, street scene and more generally the maintenance of assets in the interest of safety and amenity; and various response services to deal with the removal of nuisance and to react to emergency situations and civil contingencies.
5. The potential annual value of this contract for Shropshire Council is £20M and the same for Cheshire West and Chester giving a combined value of £40M per annum.

Process Undertaken to date

6. Given the above value the EU Procurement Directive Threshold for works (£3.9M) was exceeded and a full EU Tender process adhering to the Directive was required to be undertaken.
7. An OJEU Contract Notice was placed on the 29 October 2010 with pre-qualification questionnaires due in by Noon 10 December 2010.
8. The procurement opportunity was put out in two lots in such a way that applicants could apply to tender for either Council's contract or for both.
9. Completed questionnaires were received from ten organisations by the required deadline and a thorough evaluation and marking of the questionnaires was undertaken jointly by both Councils against pre-published criteria and scoring scheme. Six applicants have been selected to be invited to tender with four rejected at this stage.
10. As part of the above evaluation companies accounts were audited by the Council's audit section in order to ensure the six selected applicants were recommended on financial grounds to be in a position to undertake the contract.
11. The Project team have worked to a Procurement and Contract Strategy (see Appendix A).
12. Members attention is particularly drawn to the following:-
 - Section 3.8 on page nine confirming that the allocation of risk within the contract has been closely looked at.
 - Section 4 Performance Management on pages 10 and 11, showing the approach using key performance indicators (KPIs) to ensure continual improvements from successful contractor in due course.

- Section 11, page 19 showing the project governance and allocated roles.
- Section 12 on page 20 confirming the creation of the risk and issues log which have been updated at each Project Board as the project has proceeded.
- Appendix 1 of the report, page 21 showing the GANTT Chart with clear tasks and timescales showing a managed approach.

Safeguards in place to manage risk

13. The following action has been taken to ensure that the risk of this procurement has been fully managed:-
- External expert technical and legal advice has been obtained throughout the process.
 - Internal procurement, health & safety, audit, human resources (HR) and legal advice has been sought and taken so far at appropriate points within the process.
 - The allocation of risk and performance management within the contract have formed part of the strategy.
 - Employees issues (TUPE) has also formed part of the strategy and full consultation has been undertaken and the HR section have been fully involved.
 - The collaboration with Cheshire West and Chester has been carefully managed and a legal memorandum of understanding has been signed by both authorities to confirm the sharing of costs and all inputs required from each party.
 - There has been fully operational project governance with a Project Board operating and project management techniques applied including a gantt chart programme and allocated tasks.
 - A risk register and issues log has been created for the project and is regularly updated by the Project Board.

Financial Implications

14. The cost of tendering and contracting have been met from within existing budgets.

Next Planned procurement steps

15. The Invitation To Tender is currently being prepared jointly by the two councils and the projects advisors.

16. The Invitation To Tender is due to be dispatched out on 14 April 2011 with a return deadline for completed tenders of Noon 8 July 2011.
17. Evaluation criteria and methodology for the evaluation has been prepared and will be fully transparent to the tendering companies.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Human Rights Act Appraisal

The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998.

Environmental Appraisal

This will be part of the tender evaluation process

Risk Management Appraisal

Risk management is being considered throughout the project and will be part of the tender evaluation process

Community / Consultations Appraisal

N/A

Cabinet Member:

Keith Barrow, Leader of the Council (Brian Williams, Chairman of Audit Committee)

Local Member

All

Appendices

Appendix A: Procurement and Contract Strategy