



Committee and Date

Cabinet 16 November 2011

12.30 pm

Item

16

Public

Highways and Environment Term Service Contract from April 2012, Part 1. Public

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Please note that due to the need to maintain the confidentiality of this information the tenderers have had pseudonyms assigned to them during the procurement process to ensure anonymity and impartiality. These are;

- Mary Webb
- Matthew Webb
- Charles Darwin
- Rowland Hill
- Robert Clive

The real names of the tenderers and the preferred bidder will be given by the Portfolio Holder Cllr Simon Jones in Part 2 of the Cabinet meeting.

1. Summary

As Members are aware on the 18 May 2010 Cabinet approved the recommendation to commence the procurement process to renew the Highways and Environment Term Service Contracts.

Over the last 18 months Shropshire Council has been working with Cheshire West and Chester Council (CW&CC) to procure a provider for the highways and environment service from 2012. Shropshire's current contract runs out on the 31 March 2012 and CW&CC's on the 5 October 2012.

Following the extensive procurement process involving teams of officers across both authorities, one preferred bidder has been selected for both contracts. The two contracts have a common format but will be awarded separately.

Mary Webb has achieved the highest scores for both the Quality and Financial assessments and is therefore the preferred bidder for Shropshire Council's contract which will commence on the 1 April 2012. The duration of the contract is initially for a period of 6 years; but can be extended for up to a further 4 years subject to the contractor's high performance.

Cheshire West and Chester Council's Executive are meeting today to approve the recommendation to award their term service contract to Mary Webb.

2. Recommendations

Cabinet is recommended to approve the award of the Shropshire Highways and Environment Term Service Contract from 1 April 2012, for an initial period of six years to the preferred bidder, Mary Webb. The name of the preferred bidder will be given by the Portfolio Holder, Cllr Simon Jones, in Part 2 of the Cabinet meeting.

3. Risk Assessment and Opportunities Appraisal

The key risks for the award of the Highways and Environment Term Service Contract are;

Operational Risk	Impact of Risk	Mitigation
Contractor failure , going in to liquidation or administration	Authority unable to fulfil its statutory Highway's Authority duties	Detailed procurement process and ongoing financial vetting of the tenderers
Contractor terminates the contract early	Authority unable to fulfil its statutory Highway's Authority duties	Contract clearly defines the performance monitoring and budget controls and sets out the termination process to allow Shropshire Council to mobilise an alternative service provider.
Contractor fails to comply with the contract conditions and requirements, leading to service not being provided.	Authority unable to fulfil its statutory Highway's Authority duties	Performance monitoring is embedded in the contract management with a strong link to the payment mechanisms. Under performance will result in reduced payments to the contractor.

Human Rights / Equalities Appraisal EINA completed and all low risk.

Community / Consultations Appraisal Limited to Members including Portfolio Holder briefings and reports to the Protecting and Enhancing our Environment Scrutiny on 13 October 2010 and 15 September 2011.

4. Financial Implications

The annual budget for the integrated highways and environment service is approximately £21 million per annum which is funded through the Local Transport Plan's central government settlement and our own revenue budget. This is a very broad and customer facing service area and more detail is provided in Appendix A.

Within the Medium Term Financial Plan there is a savings target put against this contract. The definition of the saving was;

Service Redesign (Area Directors)	2012/13 Budget Savings £'000	2013/14 Budget Savings £'000	2012/13 Saving Phase for Council Approval	Chris Edwards, (Area Director South)
Consider scope of new integrated highways and streetscene contract to offer savings through reduced rates and scope for reduced supervision costs. Consider appropriateness of service standards.	600	0	1	We will understand potential of the new contract to offer savings when detailed figures are returned by bidders later in 2011. Any reductions in service standards may lead to public dissatisfaction.

As part of the tender assessment process a “basket of works” was developed to score the financial submissions of each tenderer. The basket represents the estimated spend for the next six years of the term service contract. From this we have also been able to assess the financial impact of awarding this contract by comparing the existing rates to those in the proposed new contract.

It should be noted that this assessment has two distinct levels. Firstly some items of work priced are very similar to those we have in the existing contracts; for these a direct comparison is possible and relevant. However there are some items for which there is no direct comparison in the existing contracts as they were carried out by Shropshire Council's Direct Service Organisation (The street scene and grounds Maintenance function of the former Borough and district Councils); for these an approximate assessment has been made.

The savings that can be accrued from this contract award will allow us to achieve the savings set out in the Medium Term Financial Plan.

5. Background

Shropshire Council and CW&CC have worked collaboratively to procure this service provider over the last 18 months.

There are three aspects which will be covered in this report;

- The framework for delivery information required from the tenderers
- The procurement process and who was involved in it
- The outcome of the assessment, both quality and financial.

The proposed preferred bidder has made certain proposals about how they would improve the service and these have also been summarised in this report.

Framework for delivery information required from the tenderers

As part of this procurement the 5 tenderers were required to provide a completed Price list for all the activities that we consider will be undertaken; and a Quality Submission outlining how they will provide, and improve, the service within the parameters we have set.

The framework for the Quality Assessment was based around detailed answers provided by each tenderer to a series of questions which were followed up by a series of clarification communications and interviews.

The Quality Assessment question headings and their weightings are included in Appendix B.

The framework for the Financial Submissions included the following areas of potential savings.

- Highlighted that this is an integration of four separate service provisions (Highways maintenance, Street scene, Grounds Maintenance, Street lighting) in Shropshire into one and encourage more effective and efficient working.
- As this a joint tender with Cheshire West and Chester Council each tenderer has been asked to provide a discount for being awarded both contracts. This discount is a % of the overall spend through the contract for both authorities.
- Tenderers were required to submit proposals in their submissions that;
 - Make the service more economic year on year throughout the contract life. This discount is a % of the overall spend for each year of the contract.
 - Make an improvement in the service by the increased use of ICT and seamless integration with our systems.
 - Show the value of their carbon reduction commitments to the Authority
 - Improve and make more efficient use of our highways depots.
 - Demonstrate how they will work with the Council via an Innovation and Employability Fund
- Tenderers have also submitted proposals which will allow us to consider new ways of managing the overall service

Procurement Process

The 5 tenderers were selected from a Pre Qualification stage in February 2011.

The tender documents were developed and posted to the five Contractors on 10 May 2011 and had input from the internal legal, audit, procurement and sustainability teams as well as an external legal counsel and specialist advisers. This then led into the final procurement process, details of timeline for this are included in Appendix C.

The important dates to ensure that we can start the contract in April 2012 are;

- approval of Cabinet 16 November 2011;
- followed by a five day period to allow the decision to be called in;
- followed by a ten day statutory stand still period to allow any of the tenderers to challenge the decision.

This means that the date of award, and therefore the start of the mobilisation period, is **9 December 2011**. The mobilisation period for Shropshire's service is 3 months.

We have ensured that the financial and quality assessments were completed separately to avoid any possible influence between the two assessments. So none of the 15 officers involved in the quality assessment were involved in the financial assessment.

Each element of the Quality Submission was assessed separately by teams of officers from each authority following an "assessment manual" previously agreed with the Council's Audit Team. The Quality assessment teams reviewed and scored each submitted question which was then agreed with separate lead officers.

The Quality scores were then moderated by the lead officers of both authorities.

The financial assessment was carried out by just two officers from each authority, one of whom was an auditor, using a pre-agreed model (this was held by Audit prior to opening of the financial bids). The lead officers of both authorities brought together all the scores at the end of the final procurement process to determine the preferred bidder.

The outcome of the assessment

This section is included in Part 2 of the Cabinet report.

6. Conclusions

Following a detailed and lengthy procurement process the preferred bidder was determined. By awarding the contract to them this would allow the savings target as set out in the Medium Term Financial Plan of £600,000 from 2012 / 2013 to be achieved.

Mary Webb has achieved the highest scores for both the Quality and Financial assessments and is therefore the preferred bidder for Shropshire Council's contract which will commence on the 1 April 2012. The duration of the contract is initially for a period of 6 years; but can be extended for up to a further 4 years subject to the contractor's high performance.

Cheshire West and Chester Council's Executive are meeting today to consider the recommendation to award their term service contract to Mary Webb.

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

Cabinet Report 18 May 2010

Scrutiny Report 13 October 2010

Scrutiny Report 15 September 2011

Cabinet Member (Portfolio Holder)

Cllr Simon Jones

Local Member

All

Appendices

Appendix A. Financial details of the Shropshire's Highways and Environment service.

Appendix B. Quality Assessment question headings and weightings

Appendix C. The timetable for the final procurement process

Appendix D. Financial impact of proposed new contract, included in Part 2 of the Cabinet report

Appendix A

Financial details of the Shropshire's Highways and Environment service.

Maintenance Service	Current Annual Cost Million	Breadth of service involved	Current Provider	Current Contract Expiry Date
Highways and Vehicle	£17.00 m	Winter response, Flooding response, Emergency response (24 hours a day 365 days a year) Gully and manhole emptying Pot holing and patching Surface Dressing Footway repairs and replacements Bridge repairs Drainage schemes Large road improvements Traffic schemes Repairing school buses and any Shropshire Council vehicle	Enterprise plc	31 March 2012
Grounds Maintenance (except Shrewsbury and N E Shropshire)	£1.34 m	Cutting of grass verges and sports areas Tree and plant maintenance	Shropshire Council's Direct Service Organisation	Not Applicable
Street Cleansing (except South West Shropshire)	£2.00 m	Sweeping of all streets and litter picking public areas Emptying of litter bins Graffiti removal Removal of fly tips	Shropshire Council's Direct Service Organisation	Not Applicable
Civic Works Shrewsbury	£0.11 m	Car park works, tow path repairs, life buoy maintenance	Enterprise plc	31 March 2012
Street Cleansing SW Shropshire	£0.30 m	As street cleansing above	Veolia	30 September 2012
Street Lighting	£0.45 m	Street light repairs and replacements	Prysmian	31 March 2012
Annual spend	£21.20 m			

Appendix B

Quality Assessment question headings and weightings; please note that detailed and comprehensive questions were provided for each of these headings.

Section	Specific criteria	Weighting
1	Corporate resources	
	1.1 Corporate management arrangements	1.50%
	1.2 How these people will make a difference	1.50%
2	Corporate Supply chain management	
	2.1 Specialist in-house Works and Services Divisions	1.05%
	2.2 Key subcontractors	1.05%
	2.3 Examples of partnership working with these key subcontractors and in-house divisions to create value	0.90%
3	Local Organisation and management structure	
	3.1 Proposed local contract management, technical and contract administration structure and locations	2.10%
	3.2 Proposals for assigning personnel to key roles, named people and CVs	2.10%
	3.3 How the local organisation will function	1.80%
4	Contract mobilisation	
	4.1 Comprehensive mobilisation proposals to ensure seamless continuity of service	2.10%
	4.2 TUPE processes, employee transfers and pensions	2.10%
	4.3 Mobilisation of vehicles and equipment	0.90%
	4.4 Exit Strategy and orderly hand-over	0.90%
5	IT mobilisation	
	5.1 IT mobilisation Project Plan for implementation of fully operational interfaces from day 1 of new contract	2.70%
	5.2 Risk mitigation measures for Key stages, including	0.90%
	5.3 Evidence from previous implementations to support this plan	0.90%
6	Workforce management and development	
	6.1 Workforce management and development proposals	1.35%
	6.2 Proposals for managing the cultural transition	0.90%

Note responses to questions highlighted in yellow are assessed by each Authority separately.

	6.3 Recruitment proposals	0.90%
	6.4 Health and safety training	1.35%
7	Depot proposals	
	7.1 Proposals for using depots and offices	1.50%
	7.2 Details of proposed works at depot facilities, cross referenced to Depot Strategies	1.50%
8	Methods of working (Service management and contract administration)	
	8.1 General approach and methodology for managing the contract and delivering contract objectives	0.60%
	8.2 Proposals for receiving, scheduling, and managing orders, pricing and invoicing	1.20%
	8.3 Proposals for programming and executing works and services and delivering physical and information outputs	1.20%
	8.4 Proposals for managing Health & Safety within the contract	1.20%
	8.5 Proposals for managing Quality within the contract	0.90%
	8.6 Proposals for implementing an Environmental Management System within the contract	0.90%
9	Methods of working (Service delivery statements)	
	9.1 Reactive highway works	1.167%
	9.2 Programmed works and schemes	1.167%
	9.3 Bridges & structures	1.167%
	9.4 Street lighting	1.167%
	9.5 Grounds maintenance	1.167%
	9.6 Schools grounds maintenance (CW&CC ONLY)	1.05%
	9.7 Street cleansing	1.167%
	9.8 Winter service	1.167%
	9.9 Emergency response	1.167%
	9.10 Vehicles and equipment	1.167%
	9.11 Traffic Signals (NOT SCORED)	0.00%

10	Service-specific method statements	
	10.1 Reactive highway works	1.167%
	10.2 Programmed works and schemes	1.167%
	10.3 Bridges & structures	1.167%
	10.4 Street lighting	1.167%
	10.5 Grounds maintenance	1.167%
	10.6 Schools Grounds maintenance (CW&C ONLY)	1.05%
	10.7 Street cleansing	1.167%
	10.8 Winter service	1.167%
	10.9 Emergency response	1.167%
	10.10 Vehicles and equipment	1.167%
	10.11 Traffic Signals (NOT SCORED)	0.00%
11	Customer care	
	11.1 Customer care, public relations and liaison	1.50%
	11.2 Consultation and development of user satisfaction measures	1.50%
12	Performance	
	12.1 Provide statements of your company's objectives in respect of the 6 Contract Objectives	2.40%
	12.2 For each and every one of the Service KPIs, proposed target % profiles and rationale	14.40%
	12.3 Procedures and processes you will put in place to collect and manage KPI data and ensure that performance targets are met	4.80%
	12.4 Any further performance indicators (type and target levels) you would propose to collect	2.40%
13	Partnering	
	13.1 Proposed approach to Partnership Development Process	4.20%
	13.2 Proposed approach to Innovation Employability Fund	0.90%
	13.3 Application of experience of implementing change management programmes jointly with client organisations to this contract	0.90%
14	Innovation and continuous improvement	

	14.1 Rationale for offering year-on-year efficiency cost reductions and how these will be achieved	3.00%
	14.2 Ideas and methods of working to improve the service	1.50%
	14.3 Development and implementation plan for innovative ideas	1.50%
15	Sustainability	
	15.1 Strategy for promoting renewable resources and minimisation of waste	1.00%
	15.2 Key measures and ongoing commitments to reduce carbon emissions	1.00%
	15.3 Value of carbon reduction commitments to the Authorities	1.00%
	15.4 Evidence to support sustainability proposals	1.00%

Appendix C

The timetable for the final procurement process;

Date	Event
10 May 2011	Tender posted to the 5 tenderers
11 August 2011	Tenders returned
16 August 2011	Quality Assessors briefed using an assessment manual to ensure consistency. The assessment involved 15 different Shropshire Council officers
14 September 2011	Initial assessment completed by Shropshire Council officers
19 September 2011	Joint assessment meeting with CW&CC to agree joint assessment areas
13 and 14 October 2011	Joint interviews of all of the tenderers by Shropshire Council and CW&CC.
16 November 2011	Shropshire Council Cabinet meeting and CW&CC Executive meeting on the same day at different times
24 November 2011	Issue Decision Notice
8 December 2011	End of standstill period required by procurement legislation.
9 December 2011	Award and start mobilisation
1 April 2012	Shropshire Contract commences