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Venue: Shrewsbury Room, Shirehall, Abbey Foregate, Shrewsbury, Shropshire,  
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## CABINET

### TO FOLLOW REPORT (S)

#### **10 Procurement of Highways Professional Services Contract (Pages 1 - 28)**

Lead Member – Councillor Dean Carroll – Portfolio Holder for Physical  
Infrastructure

Report of Mark Barrow, Director of Place – TO FOLLOW

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<u>Committee and Date</u>
<b>Cabinet</b> <b>1<sup>st</sup> December 2021</b>

<u>Item</u>
<u>Public</u>

## **Procurement of Highways Professional Services Contract**

### **(Built Environment Consultancy Contract supporting the Built Environment, Placemaking, Highways and Transport - Outline Business Case)**

**Responsible Officer** Professor Mark Barrow; Executive Director of Place  
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#### 1. Synopsis

*The Council's contract for Highway and Transport Engineering Contract with WSP, which provides professional services to the Council, comes to an end in April 2022. This report outlines a proposed way forward to ensure that the Council receives the best value for money from future arrangements.*

*The report seeks authority to extend the current contract with WSP by 1 year to allow time to develop a revised contractual arrangement that better reflects the emerging and future needs of the authority. It also seeks authority to bring back inhouse 2 services, namely Highway Development Control (HDC) and Land Drainage (LD) from 1<sup>st</sup> April 2022 and finally authority to develop procurement documents for a new contract to run from April 2023.*

#### **2. Executive Summary**

- 2.1 Since the original contract was let with WSP, the environment in which the Council operates has changed significantly. Over the lifetime of the arrangement the Council has utilised the contract for more services than originally intended providing support to large infrastructure projects, more spatial planning development and more support to bidding for grants from Government.
- 2.2 As a result it is recommended to procure a different delivery model to provide more flexible consultancy services to support the broader built environment, placemaking, highways and transport.

- 2.3 The existing Highways and Transport Engineering Contract ends in April 2022 without the possibility for further extension within the contract arrangement. It is therefore proposed to offer a 12month contract through a direct award to WSP from April 2022 to April 2023 to continue to provide support for services currently utilising the existing arrangement to provide capacity to best engage with the consultancy market to procure the best mix of services for the future.
- 2.4 A project and outline business case (OBC) has been developed to identify the options for future service delivery and is included within Appendix 1. The preferred option identified in Appendix 1 is the Built Environment Consultancy Contract. The ability for the Council to move to a new delivery model and procurement has been hampered by staffing capacity over the past year as a result of covid and exceptional service demands and as such the foundations to move to a new model are not yet fully in place and therefore a phased approach is recommended.
- 2.5 Appropriate project team diligence considered numerous options ranging from insourcing all services to using different and varied commercial arrangements to procure the support required. The recommendation in this report is presented as the most flexible and affordable option.
- 2.6 The Council must procure support to meet its duties as the mix of skills required to deliver a full range of services is beyond the scope which can reasonably be delivered by an in-house team alone. There is a need to draw on a wide variety of specialist support with in-depth knowledge of contemporary issues and best national practice much of which would not justify full time employment by the Council. The service also needs the flexibility to increase and contract resources to reflect changing budgetary positions as a result of grant awards.
- 2.7 It is recognised that there are some functions that can provide greater value to the authority by being brought in house particularly in the delivery of statutory functions. At present the council does not have a mature staff time charging system in place to enable staff to recharge time to capital projects and so the ability to insource capital functions is limited at this time.
- 2.8 The delivery of some Highway Development Control and Land Drainage services are currently undertaken by WSP, however these customer facing services often need to be sensitive to the balance of other corporate priorities and as such would sit better being delivered directly by the council. These are currently revenue funded activities and as such transfer back to the authority would not add pressures to current revenue budgets.

- 2.9 Approval shall provide authority to the Executive Director for Place, in consultation with the Portfolio Holder for the Built Environment, to undertake insourcing of the WSP employed Highways Development Control and Land Drainage teams providing services back to the Council, to let a revised 12-month contract to the incumbent provider and develop the new model for the procurement of the new built environment consultancy contract for procurement in Spring 2022 to be in operational for April 2023.
- 2.10 These responsibilities will be delivered in line with established budget with no impact on current revenue or capital spend.

### **3.0 Recommendations Cabinet is recommended to;**

- 3.1 Agree the preferred principle set out in the outline business case (appendix 1) to develop a new delivery model for procuring a Built Environment Consultancy Contract to provide built environment, placemaking, highways and transport consultancy services. The new arrangements will operate from April 2023 on a 5-year contract with a possible two 2-year extensions based upon performance.
- 3.2 Award a 12month contract to WSP to allow the new delivery model to be developed whilst maintaining continuity of current consultancy services and current capital projects,
- 3.3 Agree to exclude the currently outsourced service elements of the Council's Highway Development Control and Land Drainage functions from the 12month contract award to WSP and any procurement exercise in order to bring the services back 'in-house' with effect from April 2022
- 3.4 To delegate authority to the Executive Director of Place in consultation with the Portfolio Holder for Physical Infrastructure, to initiate the TUPE process to bring relevant WSP employed staff associated with Highway Development Control and Land Drainage services back in-house, let a revised contract to WSP for a period of 12 months and agree the model, balance between in-house and outsourced services, and the tender documentation for the new delivery model for service delivery from April 2023.

## **REPORT**

### **4.0 Risk Assessment and Opportunities Appraisal**

- 4.1 There is a risk that staff from WSP may not wish to transfer to the council as part of bringing services back in-house. If this is the case the council will create new vacancies and recruit to the vacant posts and will seek, as far as practicable to receive interim top up support from WSP whilst new staff are recruited.

- 4.2 Failure to have contracted delivery arrangements in place from April 2022 could significantly impact on the authority's ability to deliver key highway services and projects and could have a substantial impact on service budgets.
- 4.3 The in-sourcing of the externally delivered Highway Development Control and Land Drainage services and the 12-month award of a contract to the incumbent provider will provide no changes to current service levels and therefore will have no impact on protected residents. As part of the development of the new delivery model however an ESIIA will be developed to ensure that any potential impacts arising from new ways of working are considered and mitigated.
- 4.4 WSP have provided a good service to the Council and therefore there is confidence that awarding for a further year, as opposed to procuring for an interim solution, provides the authority with the best value for money.
- 4.5 There could be a risk of challenge to the direct award of the 12-month contract, however it is considered that this risk is low given the exceptional nature of the Covid pandemic understandably impacting on the procurement programme and that the council fully intends to go out to market the following year with a competitive procurement.
- 4.6 There is an opportunity, through procuring a different delivery model from April 2023, to improve and select the right mix of consultancy services and in-house provision to better reflect the future requirements of the authority from April 2023. The 12-month contract award to the incumbent provides an opportunity to insource two currently outsourced services to test the principle of bringing some key functions in-house and better understand the implications of so doing for potential consideration in future arrangements. Further analysis and investigation will be undertaken to ensure all services assisting with the delivery of statutory functions are delivered by best value considering engagement including considering when the staff engage with the Public and Members.

## **5.0 Financial Implications**

- 5.1 **12-Month WSP Contract** – The 12-month contract will be let on the same terms as the existing contract, with the exception of the inclusion of core Highway Development Control and Land Drainage Services, via negotiation with WSP. For the 2022/23 Financial Year, there is no expected cost uplift or service reduction other than any standard inflationary uplifts that may have applied under the previous contracting arrangement.

- 5.2 **Procurement of new contract** – The procurement will be undertaken within proposed resources for next financial year. There will be considerable staffing resource required to ensure that the specification for future arrangements best reflects the requirements of the authority across a broad array of disciplines and it may be that at times next year additional resource is required to backfill key staff supporting the project or allow other lower priority workloads to slip. It is anticipated that any additional resource would be covered undertaken within anticipated budgets for next financial year.
- 5.3 Contract specifications and levels of service for a revised delivery model will be developed to be within available budgets.
- 5.4 **HDC and LD In-sourcing** – The existing contract has an approximate yearly spend of £250k per annum for specialists to deliver the service. Transferring the service and the staff to the Council's employment is estimated to be at least cost neutral and offer better value. As part of the delegated authority, the leadership team within the Place Directorate, will engage in the TUPE process, with support from HR from both the Council and WSP, for those staff deemed to be in scope for transfer and will ensure that appropriate line management arrangements are in place.
- 5.5 **Recharges** – Capital projects allow consultancy activity to be recharged to capital budgets but the same is not currently the case for council staff, except in certain circumstances. The service and finance team are exploring options available to ensure all capital related expenses could be adequately charged to capital budgets to prevent pressure on the revenue budget where further staff to be brought in-house. Such an approach has not yet been agreed however and therefore further services are unable to be brought back in-house at this time without adding additional pressure to revenue budgets.

## **6.0 Climate Change Appraisal**

- 6.1 There are no direct implications on climate change arising from the proposal.
- 6.2 It is proposed that the future contract will embed carbon reduction of the provider and service to a far greater level than existing arrangements in support of the Council's adopted objective of becoming carbon neutral by 2030 and this will be considered as an integral part of the procurement process.

## **7.0 Background**

- 7.1 For several years, the Council has used a consultant (WSP) to support its statutory obligations to develop and maintain the transport network. The existing contract was let in 2015 and has

been extended to the full extent permitted by the contract and will expire on 31 March 2022. WSP have provided a satisfactory service and have a good understanding of local needs which has been a significant benefit to the authority in recent years as the consultant has adapted to meet the council and government's broader requirements.

- 7.2 The council has retained a relatively small client team and the impact of flooding, severe winter weather and Covid and the resultant diversion of key staff to other tasks over the last 18 months has impacted on the service's ability to have new arrangements in place by the end of the current contract period.
- 7.3 Government has changed its approach to funding in recent years, placing much more of an onus on requiring authorities to bid for pots of grant funding for specific themes than has previously been the case. The bid requirements often only provide a short time limit to develop submissions as well as requiring more effort for local collaboration before bid award. This has resulted in a much greater reactive resource being required, often needing a broad knowledge set, which is beyond the scope of the council alone. Whilst the council has drawn down on this from WSP it was not a service envisaged within the original contract and as such is not well reflected within the specification and performance criteria within the contract.
- 7.4 The award of an additional 12 months contract to WSP will enable the service to re-scope service requirements that were not envisaged within the original contract in 2015 in order to devise the new delivery model to be procured for a new contract to commence on 1<sup>st</sup> April 2023. A new contract would be able to react more agilely to the broader demands and ambitions of national and local government and reflect the rising importance of carbon, sustainability and innovation within future service delivery.
- 7.5 The Council has a robust client team which delivers asset strategy and capital planning. It uses consultancy services to expand these plans and strategies in line with the local transport plan, economic development initiatives and asset management regimes. Some elements of services such as HDC and LD were outsourced in 2015. Due to the changes in policy and a greater need for Council control, it is considered that these services are best returned fully to the Council's direct delivery. HDC and LD provide advice to Members and the Public and it is felt that these roles should all be Council employees.
- 7.6 Innovation is a key area needed to meet the pace of change to support climate change, improved ways of working, smart streets including adoption of technology to support the decarbonisation of transport. Consultancies are better positioned to have a keen specialist knowledge of these changes due to their business



supporting many authorities and will allow Shropshire to remain in a leader in adoption of Net Zero and climate change interventions and innovations.

## 8.0 Additional Information

8.1 A more comprehensive appraisal of the situation is provided in the business case laid out in Appendix 1.

## 9.0 Conclusions

- 9.1 The past 18 months has seen significant disruption to normal service delivery which has impacted on the council’s ability to progress new contracting arrangements before the end of the current contract.
- 9.2 The environment within which the new arrangements will operate have also changed significantly in recent years with funding models linked with far more competitive bidding processes than in previous years, with a stronger relationship with sustainable travel, carbon reduction and innovation required to be successful than ever before. The Council has also declared its own Climate Emergency and has become more ambitious in its place shaping agenda to match the predicted growth anticipated within the County. This all needs to be reflected in any revised procurement and delivery model.
- 9.3 An interim arrangement provided by a 12month direct award, will provide the council the time and capacity to ensure that all of the above is properly reflected in new delivery arrangements and ensure that the council is able to derive the best value for money and best position itself to be more successful when bidding for additional funding.
- 9.4 Signing off the Outline Business Case will provide the delivery team a mandate to proceed with development of the next iteration of the professional services contract.

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

**Cabinet Member (Portfolio Holder) Cllr Dean Carroll**

**Local Member All**

### **Appendices**

Appendix 1 - Built Environment Consultancy Contract supporting the Built Environment, Placemaking, Highways and Transport - Outline Business Case

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Shropshire  
Council

# Built Environment Consultancy Contract supporting the Built Environment, Placemaking, Highways and Transport

## Outline Business Case

November 2021

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## Executive Summary

It is necessary to procure flexible consultancy services to support the built environment, placemaking, highways and transport resulting from the existing Highways and Transport Engineering Contract coming to an end in April 2022.

The funding environment to support the County's growth and development has changed dramatically in the past few years. Seizing the opportunity to take advantage of reviewing the services are optimum for Shropshire and to maintain consistency with existing projects, it is proposed to offer a 12-month contract from April 2022 to April 2023 to the existing supplier. The advantage of this 12-month contract is providing continuity of strategic projects and to better engage with the consultancy market to procure the next contract.

This outline business case explains the options and opportunities to achieve the needed support for the built environment, placemaking, highways and transport within Shropshire Council. The outcomes include:

- the Council taking in-house operational responsibility for the delivery of the statutory functions of Highways Development Control and Land Drainage per Members' request and improve service outcomes;
- maintaining service continuity as the current contract expires and consistency of consultancy support for the capital projects underway by letting a 12-month contract to WSP; and,
- evaluating and procuring a new built environment consultancy contract with the appropriate breadth to meet the Council's needs.

Various approaches were considered in the development of this business case ranging from insourcing all services to using different commercial arrangements to procure the support required. The business case discusses the options explaining the requirements, risks and opportunities taken into consideration.

Approval of this business case would give authority to the Executive Director to undertake insourcing of the Highways Development Control and Land Drainage teams, to let a 12-month contract to the current consultant and undertake the procurement of the new built environment consultancy contract. These responsibilities will be delivered in line with agreed budget with no changes to revenue or capital spend. The Project Board has undertaken due diligence on the options and have agreed the most timely and pragmatic approach is the one offered.

The business case establishes an indicative delivery plan, including the management approach for the project. The commercial governance arrangements are explained and how the contract will interact with the others which are required to deliver the built environment, highways and transport outcomes.

## Strategic Case – What is Needed?

The Highways and Transport Engineering Consultancy Contract, referred to as 'The Contract', was let in 2015 to support the Council's highways teams and provide key functions, and is now coming to an end in April 2022. The Council requires a new contract to support overseeing the development of the highway asset for the benefit of Shropshire County as well as undertake placemaking, master planning, carbon management, and economic advisory.

### Preferred Option

A revised built environment and consultancy contract will allow Shropshire Council to proceed with the development of an outline business case that will:

- i. Let a one (1) year contract to WSP for 12-months for the period of April 2022 to April 2023;
- ii. Move into the Council's management the direction and liaison elements of Highways Development Control and Land Drainage Policy functions; and,
- iii. Procure a new built environment consultancy services contract to support the continued improvement and value of the highways provision, engage in placemaking and support the growth agenda coupled with the carbon reduction effort.

This outline business case provides the project details, benefits, and opportunities.

### Case for Change

The Council requires a trusted built environment consultancy partner to support its highways asset valued at more than £4.5 billion. It is a service that reaches every Shropshire County resident and visitor. However, since 2015, the Council has seen a significant change in how Government funds and local economic development schemes have joined together to require master planning and economic growth advisory and insight into meeting Net Zero targets via carbon reduction. If Shropshire wishes to be agile and reactive to bidding opportunities and continue its leadership in Net Zero reductions, proactive consultancy support is required, not only to develop its infrastructure but also to maintain as cost effectively as possible its existing infrastructure.

The preferred option within this business case delivers the required benefits with the least amount of risk. An essential requirement for a built environment consultancy partner is to have a close and trusted relationship to provide the infrastructure required by the residents of Shropshire. The Council cannot directly employ the breadth of skills necessary to maintain the highways asset in-house, nor does it have on staff the needed technology and environment skills. The private sector is best placed to provide these skills. Over the life of the Contract, capital schemes and asset management activities have been successfully delivered, achieving value for money, engaging placemaking and winning Government funds to improve the network and the Council's growth targets.

### Do Nothing Option

There is not a do-nothing option available to the Council as the services in scope of the Contract must be delivered. This business case does describe the various options considered

in addition to the preferred option recognising that work must be undertaken to keep service continuity as well as seize opportunities of improved service scope.

## Preferred Option Benefits

The preferred option provides near-term flexibility with a trusted partner, allowing time to evaluate possible improvements effectively for the new Contract to be let in 2023. In preparation for the new Contract, the support for insourcing the two identified functions, Highways Development Control and Land Drainage, stems from the Council Members expressing the wish to engage with Officers, not consultants in these policy areas. Both areas are important to liaise with the Public and have management of the decisions required.

### Need for a Built Environment Consultancy Contract

The Council has a lean team of officers responsible for making complex decisions to ensure the highways network remains safe, easily serviceable with high integrity and availability. The breadth of skills required to undertake the capital and asset management planning and development requires a capability greater than the Council team possesses especially when considering advice required for place making, carbon reduction and technology implementation. The Council team are focused on policy, assurance, and performance monitoring which is the role of being a clear and informed client. The detailed design and built environment consultancy services are best placed to be delivered by consultants who provide full lifecycle engineering services and undertake innovation development. It is desired that the Consultant will help Shropshire deploy best practice and deliver insights through projects delivered with other local authorities and highways operators to support a continuous improvement culture.

It is important to make clear that there is an existing contract in place. This contract is vital to delivering the totality of the highways service and has supported built environment needs. The proposed award of a 12 month contract to WSP and the procurement of a new consultancy contract intends to continue the success of the existing contract and integrates improved services as described later in this business case.

### Changing Government Processes

The Contract is vital to enable the Council to develop highways and transport capital investment bids quickly. The Government and the Department for Transport have changed their bidding processes requiring multi-million Pound proposals on short time scales. In 2015, when the current Contract was let, the scope of services was narrower and the process of bidding for funds slower and more prescriptive. The Council is now bidding to other bodies besides Government, including regional bodies. The trend for creating bids on short notice is unlikely to change and the Contract will preserve Shropshire's flexibility to respond quickly.

A new Contract awarded in 2023 would allow for the rapid development of projects such as those awarded to the Council to support growth and changing needs such as the North West Relief Road where it is required to bid for funds. To purchase these services from a regional or national framework or via a neighbouring council would add delays, increase cost, and diminish the quality of bids submitted. The Council wishes to advance its Highways Asset



Management Strategy and capital investment initiatives with the support of funds from Government and regional bodies. Thus, it requires a consultancy partner to react quickly to develop the details of each proposal, have the skills to consider the growth agenda whilst keeping a weather eye on supporting carbon reduction.

### **Alignment to Shropshire Highway Strategy**

The preferred option supports the Council's Highway Asset Management Strategy (2015) by ensuring the objectives to maintain the optimum asset quality for the County to support transport and economic advancement.

## **Details of Change**

Three elements will change from the existing situation as of September 2021. Although the preferred option in this business case presents them together, each element has been considered on its own merits. Therefore, the preferred choice is presented in this business case as a single decision for approval.

### **12-Month Contract Award to WSP**

The existing Contract, awarded to WSP in 2015, cannot be extended further. The COVID19 Pandemic impacted the contract replacement project by delaying going to market due to the situation's variability and necessity of ensuring our highway network continuity. WSP could be offered a 12-month contract with a similar scope to the current Contract with exception of the management of Highways Development Control and Land Drainage functions which will transfer to the Council.

### **Options Considered**

Various options were considered before selecting the preferred option of letting a 12-month non-competitive contract. The risk of not maintaining a close working relationship with the consultancy partner and losing critical knowledge due to hasty contract closedown ruled out the other options which are outline below. The were to:

- i. Accelerate the new Contract procurement going to market in Autumn 2021;
- ii. Use neighbouring councils' built environment consultancy services contracts exclusively instead of procuring a new Contract for Shropshire; and,
- iii. Use various national and regional frameworks exclusively to buy services as close to those currently specified.

Each of these options has disbenefits with the loss of local knowledge and contract provision that does not best meet the contemporary and future needs of the council. The options would likely lead to significantly higher costs as a result of either additional fee's for contract access or a new contract not being developed to best offer the council value for money based on market intelligence.

The Council will continue to use regional and national frameworks and maintain best value routes to market outside of this Contract. The 12-month Contract does not limit options and adds benefits as previously outlined. In practice, the Team considers each element when engaging the Consultant and, at times, has leveraged alternative arrangements to deliver

elements of work or secure advice where it is considered greater value for money or improved outcomes can be delivered.

### Risk and Opportunity

The strategic risks have been considered and the opportunities presented by the 12-month Contract outweigh the risks. There is not sufficient time to undertake procurement for a new consultant to deliver service from April 2022. At a high level, the effort required to ensure service continuity is likely not achievable without the 12-month Contract. Additionally, the Pandemic created a bubble of procurements from other Authorities and the Council benefits by having more market interest if it allows this wave of competitions to conclude. It is then likely that the market will take greater interest in bidding for the new Contract to go live in 2023.

The opportunity presented by offering a 12-month contract to WSP and modifying the scope of services is:

- i. **In-sourcing Key Knowledge** –The 12-month period allows for additional time for the Council to better design and understand what other functions are best to be delivered by Council Officers which may include further opportunity take under management additional policy functions. The changes are part of the larger procurement discussed below as the right client functions will be appropriately defined and developed within the Council before engaging a new built environment consultancy partner.
- ii. **Accelerate Capital Scheme Development** – In preparation for the new built environment consultancy contract procurement and to ensure no delays to asset scheme delivery, WSP will work with the Highways Team to have 24+ months of schemes and plans designed and costed, ready for implementation.
- iii. **Prevent Knowledge Flight** – WSP has key staff involved in capital schemes necessary for the successful completion of these schemes. The 12-month Contract will ensure those staff remain available and engaged in ongoing projects.
- iv. **Effective Handover and Project Continuity** – Should WSP not win the next engineering contract commencing in April 2023, the 12-month Contract will allow for an effective handover and knowledge sharing with the new Consultant. During the 12-month Contract the Council will define the appropriate involvement of WSP within each existing or newly created project. For example, in schemes where WSP has provided project management or quality control, these roles will be planned for effectively both commercially and in terms of team dynamics. This will ensure that all projects deliver to the agreed time, budget and scope as the Council is responsible of reporting successes to the funding bodies including the Department for Transport and other ministries.

### In-sourcing Highways Development Control and Land Drainage Functions

WSP currently provides strategic delivery of the Highways Development Control the Land Drainage functions. In 2015, as a result of an 18-month project to change the Highways Team, these functions were outsourced in line with policy. However, these functions are statutory and are best delivered by a Council Officer. It is therefore proposed that any new 12 month

contract with WSP would not include these services so that the functions would instead be delivered 'in-house' by the Council.

#### **TUPE of Functions**

The functions are delivered by approximately eight (8) people in WSP's employ. The cost envelop for the Highways Development Control for Land Drainage is approximately £250k for the affected staff. TUPE, Transfer of Undertakings (Protection of Employment), will apply to those WSP staff currently delivering these functions and as these functions will not change and will be delivered by the Council instead.

With effect from the date of transfer to in-house delivery, the Highways Development Control team members will report to Tracy Darke, Assistant Director for Economy and Place. The Land Drainage team members will report to John Bellis, Drainage and Flood Risk manager. The project will ensure that each team member has all of the required role information and appropriate consultation.

The functions are currently revenue costs within the Contract and there is no projected change to the budget for these functions.

#### **Risk and Opportunity**

There is a risk that the staff involved with the functions choose not to transfer. If the staff do not transfer, the contingency plan will require the hiring of new officers to support the function. As these are statutory functions, there are no savings expected as a result of the change. The opportunity is that there is greater control and engagement with Members and the Public in regards to these strategic areas.

#### **Procure Built Environment Consultancy Contract**

The current Contract scope has been effective. The new Contract will provide an opportunity to ensure the right mix of services support the Council's future placemaking, built environment, highways, and transport needs. The scope of the existing Contract will be reviewed. Officers are content with the proposed breadth of services for highways and are looking for innovations in carbon reduction and technology. Also, advice and support to champion the Council's placemaking strategy and growth aspirations is clear.

#### **Procurement Approach**

The Council requires a capable partner that can provide the breadth of services needed. The procurement will be designed to ensure that small and medium-sized built environment consultancies can provide a competitive tender.

#### **Delegated Authority for Procurement Approvals and Team Changes**

Were delegated authority to be given to the Executive Director of Place, and his team to deliver the outcomes described there are no impacts on capital or revenue budgets as the contracts are not funded directly within the budget. For the insourcing of the Land Drainage and Highways Development Control teams, the cost will be approximately the same. Council Leadership will be sighted and updated on a regular basis as to the learnings and ongoing delivery of the project.

## Built Environment Consultancy Services Required

The expected services required from the future Contract will support the following:

1. Built environment advice and industry best practice; *{broaden service scope}*
2. Identification and bid development of funding opportunities at regional and national bodies for the betterment of Shropshire and the advancement of development strategy and carbon reduction; *{broaden service scope}*
3. Placemaking and growth development advice; *{new service}*
4. Flood and water management advice and design, including innovation within green wastewater management; *{existing service}*
5. Street lighting and traffic signal advice, design and best practice; *{existing service}*
6. Major projects including traffic schemes, highways and master plan development; *{existing service}*
7. Transport services including traffic planning and public transport; *{existing service}*
8. Bridges and highway structures advice, design and project development; *{existing service}*
9. Highway maintenance strategy and advice reflecting industry best practice and innovation; *{existing service}*
10. Asset inspection, monitoring, and audit services; *{existing service}*
11. Asset Management include strategy development and insights from the sector; *{existing service}*
12. Natural environment advice, design and best practice including Rights of Way and natural assets; *{existing service}*
13. Business and enterprise services including data management, PMO operations, governance, secretariat and customer services functions *{new service}*; and,
14. Road safety education *{existing service}*.

In the next phase of the project, the new services will be defined and the existing services reviewed to ensure they remain fit for purpose. These functions are under the control and responsibility of the Director of Place and will align to the Council's strategy.

## Capital Schemes

The Consultant's role in supporting the design and delivery of capital schemes is focused early in the lifecycle. The capital scheme project lifecycle is depicted below

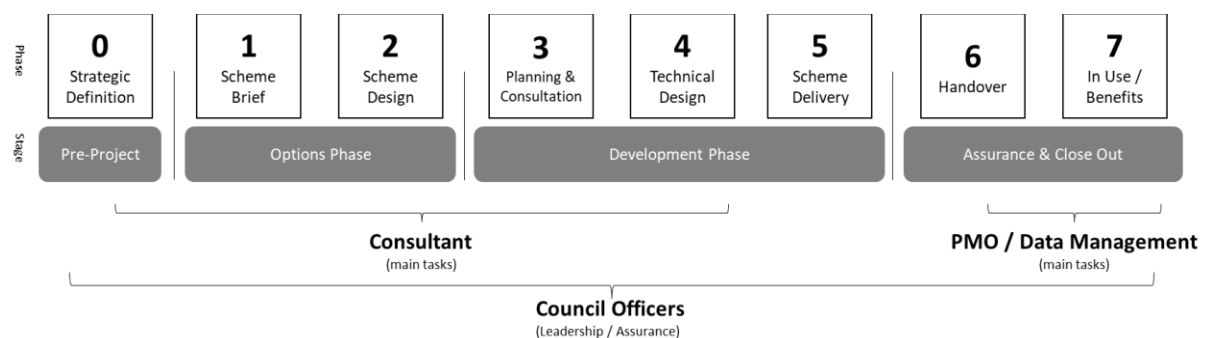


Figure 1 - Capital Delivery Model

The Consultant is critical in defining and designing bids and proposals at stages 1, 2 and 3. It is in the Consultant and the Council's mutual best interest to have an effective partnership to increase the likelihood of winning funds such as the Levelling Up Bids and other capital schemes. Note that the Consultant may have a role through the whole project depending on the projects needs such as project management or quality control.

For Capital Maintenance Schemes, a similar process is followed, placing importance on asset knowledge and data at stages 3 and 4. As mentioned, a benefit of the 12-month Contract award to WSP will be that the new Consultant will inherit 24+ months of schemes ready to implement. The new Consultant will have time to mobilise and develop the required asset knowledge and learn the necessary design and risk tolerances specified by the Highways Team before designing further schemes.

Early in capital projects and within the Council Strategy, the Consultant may have a role to informing the placemaking and bid identification work. This is a key outcome of the Consultant in the identification and delivery of growth schemes for Shropshire.

### Asset Management and Infrastructure Planning

The Asset Management function is a cyclical one designed to respond to the needs of the Highways Network and deliver asset maintenance, ensuring safety and network availability.

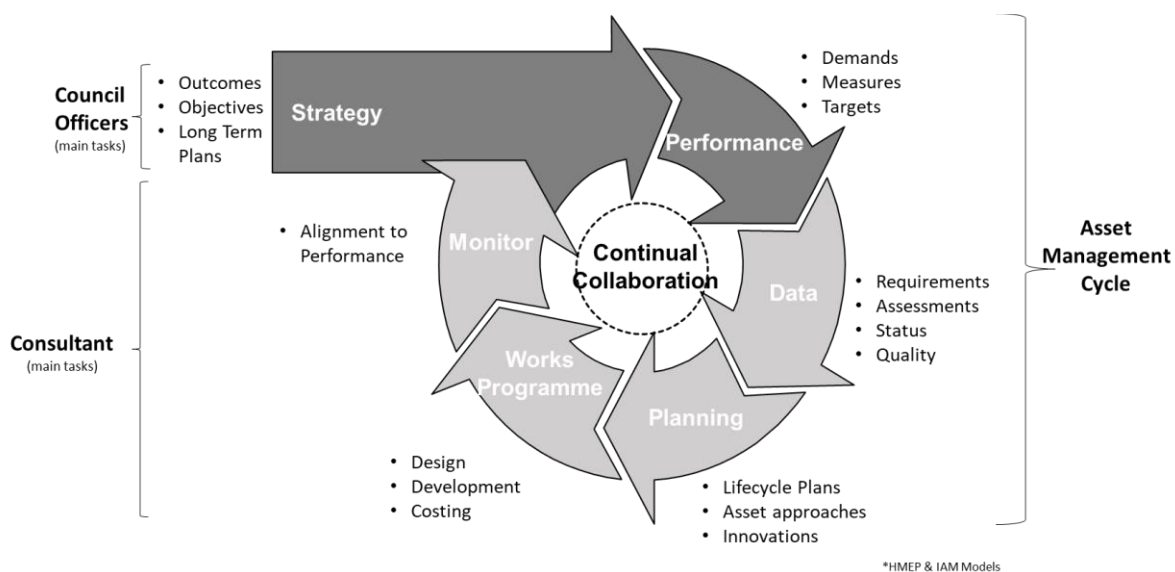


Figure 2 - Asset Management Cycle / Roles and Activities

The relationship with the Consultant is vital in ensuring the policy and performance requirements are achieved. As demonstrated in Figure 2, the Consultant's role is integral to the asset management process.

### Central Data Hub – Opportunity

An opportunity for improvement requires the new Contract to specify a Central Data Hub that will deliver a project management office, data management services, and customer service management function that centralises activities already undertaken continuing to work in

conjunction with Council customer service colleagues. The outcome is a central function to coordinate and provide the right data at the right time across the Highways Team.

The project management office (PMO) will be responsible for tracking and monitoring the status and data associated with each scheme or network activity. This will provide a joined-up picture for the Highways Leadership of the vital information required to ensure the council's strategy is being achieved. In addition to the project management functions, the PMO will serve as the secretariat for the governance groups that govern the Contract and inform asset management policy. The governance model is described in Figure 3.

Data is critical to improving project delivery, the life of the highways asset and ensuring the correct intervention is delivered at the best time to have a safe, cost-effective and highly available highways network. Since 2015, data management has matured, and digital transformation coupled with highways asset management systems provides a rich picture for the Highways Officers to use in their decision making. However, data management is currently done in an ad hoc manner. There is a need to have consistency between asset classes and capture the data when projects conclude. Therefore, the data management function will be central to the PMO to support the Capital Schemes and the Asset Maintenance functions.

The Council has the drive to improve its overall data quality across its services. The PMO function will support this strategic goal and support the range of built environment services effectively. The data becomes ever more complex as structure data via BIM (building information management) platforms are deployed. Geospatial data and asset data are two key data types that are critical to information effect policy decisions by the Council. The Consultant will play a key role in delivering the data management maturity.

Customer service for the Shropshire Highways Network Users is important in responding to inquiries about the asset. Currently, this process is distributed within the team. Having a central function to support the council's customer service policy will improve the customer service experience, consistency, and timeliness of the response at a lesser cost per inquiry.

### **Expected Contract Value**

The historical split between spend on Capital Schemes and Asset Management has been two-thirds and one-third. The historical spending is in the table below.

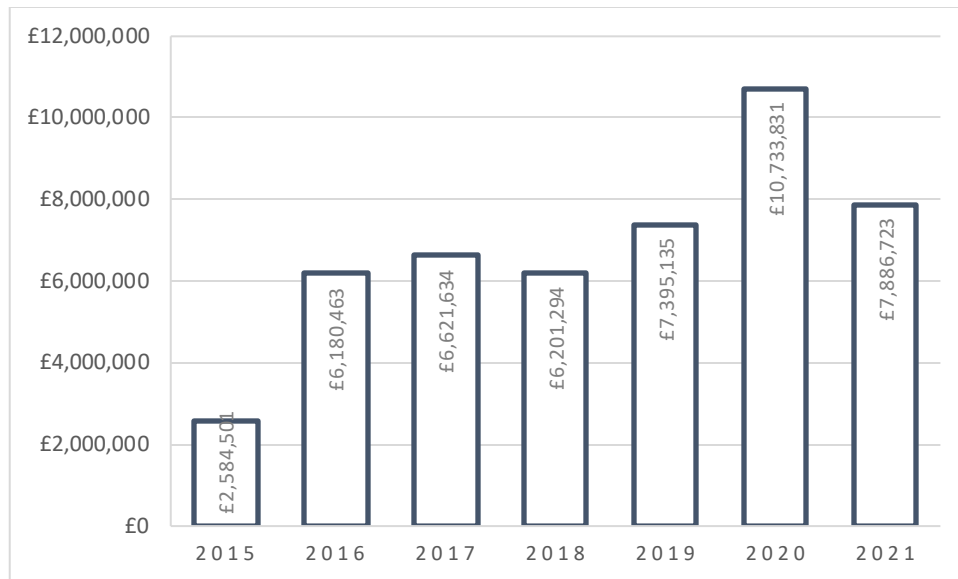


Table 1 - Contract Spend by Calendar Year

The spent profile within the table is not only highways services. It shows that the Council has been successful in attracting capital investment from Government and other funding bodies. The highways asset spend is the smallest component, and the capital inflow indicates the number of services needed to deliver the numerous large scale capital programmes.

The revenue spend within the table focused on cyclical asset management is about one-third of total spend or approximately £13m over the life of the Contract. The rest is spend from capital projects such as the North West Relief Road.

## Economic Case – What is most affordable?

The question of affordability and ensuring that a competitive price is paid for each outcome delivered by the new Contract was considered in detail. Value for money in the context of consultancy services means access to a broad set of built environment and engineering skills that are paid at competitive rates. A service premium will not be paid, but the Contract will have appropriate incentivisation and reward mechanisms to align the Consultant's interest to the Council's expectations.

The Council wishes to incentivise the Consultant in the new Contract to be proactive. The Consultant should identify and bring to the Council's attention opportunities to secure new funding which aligns to the Council's strategy and growth plans.

### Options Considered

A range of options was considered in assessing the best solution for the Council to have access to the skills needed to deliver a safe and effective highways network. The options considered were:

- I. **Multi-supplier framework** – Creating a built environment engineering consultancy framework with numerous consultancies where each work package is offered to the framework participants for bidding.

- II. **Joining existing partner council contracts** – Adopting and using existing contracts from regional councils.
- III. **Insourcing Services** – Bringing into direct employment the full breadth of staff required to supply all of the services required by the highways network.

The most costly and inflexible option is insourcing the highways consultancy functions currently delivered by the Contract. The economic case for insourcing does not offer value for money due to the breadth of skills and engineering knowledge required. In addition, best practice is not presented as a matter of course as the council would have to seek out this knowledge and have the added cost of developing this knowledge within its staff.

A multi-supplier framework was considered, including leveraging existing design frameworks used by neighbouring Councils. Both options were discounted as the administration cost is high and the disbenefit for not having a close partnership, especially when bespoke capital bid development is required. The time required to create the work package, put it out for bid, select a partner and begin work would likely mean that most Government bids would not be achieved due to the aforementioned change in Government process.

### **Cost, Benefit and Risk**

The contract cost will be known after the procurement concludes, and this will be captured in the full business case. The fees paid will be a mix of compensation types depending on the function required and the activity volume. The total target cost is expected to trend in line with the previous yearly spend shown in Table 1 dependant upon the Council winning further capital bids.

In considering the direct and indirect benefits of partnership working, the Highways Team and Built Environment Colleagues require a trusted partner in addressing the challenges presented by the Highways Network and the wider asset pool. The key benefit is stability and consistency of support to inform the Officer's decision making and appropriate informing of the strategy. The Consultant will hold the trust to help early on in major projects where advice on placemaking, economic growth and long term master planning will have a significant impact as well.

Risk will be managed closely on a project by project and function by function basis. Due to the nature of a professional services contract, the risks are comprised of the Consultant failing to deliver the work or providing incorrect advice. Appropriate governance processes and commercial mechanisms will mitigate these risks to ensure the best possible outcomes.

### **Governance**

To deliver the best value possible, a robust governance process ensure the Consultant delivers. The governance process will be implemented with the new, 12-month Contract with WSP and will be matured with the letting of the new Built Environment Consultancy Contract. It is recognised that the Highways Team has changed over the past seven years and that the contract governance functions can be improved and further integrated to support improved decision making.



Per Council guidance, each director operates its own best practice model for contract governance. In line with this practice, governance will be comprised of four groups, each with its Terms of Reference. The membership of each group will involve the Council and the suppliers where each group requires appropriate decision making and oversight. The Council will chair each group and use the bodies to administrate the Contract outcomes. The overview of each committee is as follows:

- i. **Asset Steering Group** – Reviewing strategic needs of the highways asset and recommending best practice to improve value for money.
- ii. **Contract Board** – Manages the strategic relationship with the Consultant to review contract performance and address any escalations or concerns.
- iii. **Contract Ops Board** – Manages the operational relationship with the Consultant to support the Service Manager in the prioritisation and value delivered via the Contract.
- iv. **Highways Alliance** – Integrating the Consultant and the Term Maintenance Contractor to ensure the whole lifecycle is properly managed in line with the Council's Highways Asset Management Plan.

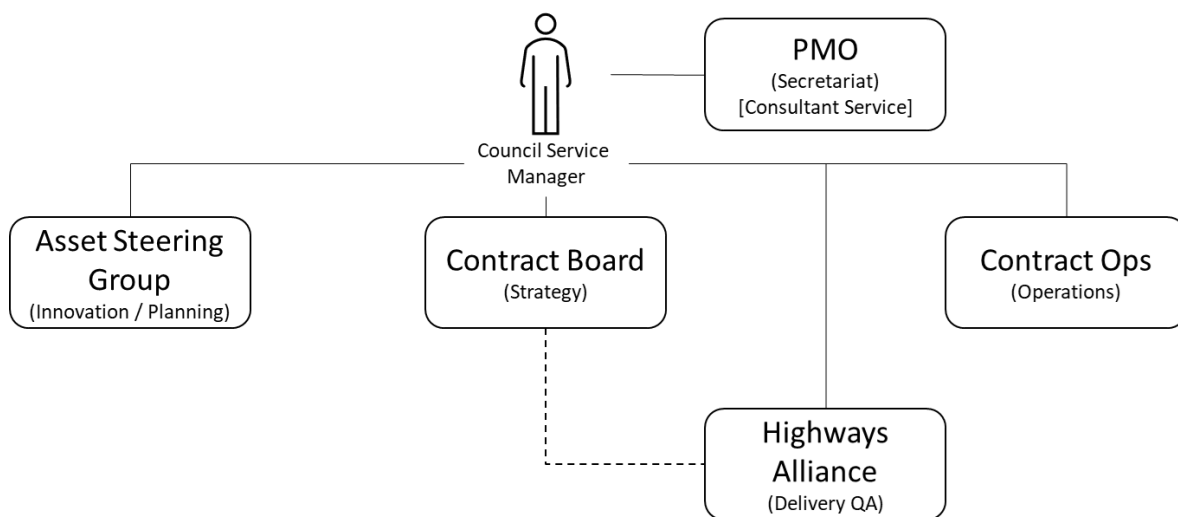


Figure 3 - Governance Model

### Alignment of Asset Management and Built Environment Consultancy

The Highways Alliance, shown above, allows the asset management contracts to manage the network interventions and developments with the strategic and operational advice given by the Consultant. The Council’s client team leverage the benefit of these two organisations each providing their insights to find the optimal mix of revenue and capital interventions within the budget allocated. Each plays a role to inform the Council’s decision making and this is brought together within the Highways Alliance agenda.

### Commercial Case – Can the market deliver?

The market for built environment consultancy is developed and competitive within the UK. Consultancies of varying sizes provide wide breadth of services. Where possible, the Contract

will incentivise Shropshire-based and regional consultancies to participate as this may improve local knowledge improved outcomes.

### **Competition and Capability – Can we get value?**

UK-based built environment consultancies supply a wide breadth of comparable services as engineers are professionals and subscribe to chartered bodies who set the requirements for professional competence. As such, the consultancies will compete on their efficiency and their customer service. The procurement will not be exclusionary and will prize innovative, forward thinking approaches. There is very low risk that the procurement will not receive numerous competitive bids giving both confidence in the services and prices.

### **Form of Contract**

The market is comfortable operating under the NEC (New Engineering Contract) suite and so it is proposed to utilise this form of Professional Services contract with appropriate amendments to suit the Council's needs. As project management is at the heart of the NEC framework, the consultants will embrace engaging with good project management processes.

### **Risks and Opportunity**

In considering the risk, the UK has a long tradition of built environment consultancy excellence. There is minimal risk that the market is unwilling or unable to deliver the breadth of highways services required.

There is an opportunity to encourage innovation and greater sharing of best practice within the new Contract. These lessons and insights could improve the delivery of the Highways Asset Management plan. The Consultant can be incentivised to make a clear and measurable impact, especially in dealing with technology (street lighting, signals, smart furniture, etc) and carbon capture with innovative drainage and design considerations.

### **Financial Case – How to achieve the most affordable option?**

The procurement process will achieve value for money as it will clearly compare the prices across all bidders. The Contract will be awarded to the Consultant, which may be a joint venture or other organisational form, that demonstrates the best value for money in both economic and customer service terms.

### **Setting the Budget and Controlling Cost**

The value of the Contract will be published within a range of £11m to £50m for the life of the Contract being 5-year length with two, 2-year extensions. This will be confirmed during the project as services are considered and specifications developed. Indicatively, to maintain the highways network, the council invests more than £25million on an annual basis and this is proposed to increase. For this Contract, the Council will commission services in line with the highways asset need. For asset management, this is about one-third of the annual built environment consultancy spend. As it is bid-based and mostly granted via the Department of Transport, capital will be in line with the proportion of capital projects secured.

## **Budget Control**

The Contract is a services contract where work packages are called-off from it. The funds that will pay for services are from existing Council budgets and would be spent under the existing Team's delegated authority. There are no special financial delegations as all financial approvals will be via the budget process or capital scheme approval.

## **Realistic Costs**

As mentioned above, there is no realistic way to lower the cost of built environment consultancy services by creating a complex framework. In addition, the high costs of administration will overshadow savings made by bidding each work package bid.

The average billable earnings within the UK engineering sector is approximately £83,500 per staff member (source: IBIS World 2021 Industry Report). Via the open tender process, the variation will come in the Council's specific high-value services, such as carbon capture and technology advice. To ensure a realistic cost, the procurement will test these areas to achieve the best value.

## **Management Case – How to deliver the project?**

Delivering a new highways engineering consultant for April 2023 is achievable. The project plan is in Annex B.

## **Governance**

The project has been established with Steve Smith as the senior sponsor. Andy Wilde has responsibility for overseeing the project. A board consisting of representatives from Procurement, Highways, Finance and Legal meet monthly to review decisions and provide oversight.

The project has participated in the Council's governance processes by seeking support from Cabinet and Directors in September 2021 before progressing with a formal business case to advance the preferred option presented within.

## **Project Delivery**

Andy Wilde is overseeing the project with the support of McKie Consulting and Sprague & Co to undertake the commercial and operating model advice. Andy reviews the project plan regularly and will continue to do so through the delivery of the project. All project professionals involved hold memberships and charterships from UK professional bodies where they use the best practice defined to achieve the desired outcomes.

## **Stakeholder Involvement**

Stakeholders have been consulted and welcomed to contribute to the business case and the overall project objectives. Highways Officers have shared areas with the new Contract that can be improved and offer better results for the people of Shropshire.

Per the project plan, a wide number of stakeholders, internal and external to the Council, are involved to ensure the project and future consultancy arrangements are fit for purpose.

### **Risk Management**

On a regular basis, the project risks are reviewed. Risks are escalated as required. As the business case moves from the Outline phase to the Full business case, the risks will be captured as the procurement process will inform the likelihood of possible risks. Andy Wilde will escalate any risks which are not mitigatable via Steve Smith for appropriate management intervention.

### **Procurement and Commercial Support and Advice**

The core of the project is the design and procurement of a new Highways Engineering Consultancy Contract. The Council's Highways and Procurement Teams are supported by the project team who have decades of experience in complex engineering services procurement and implementation.

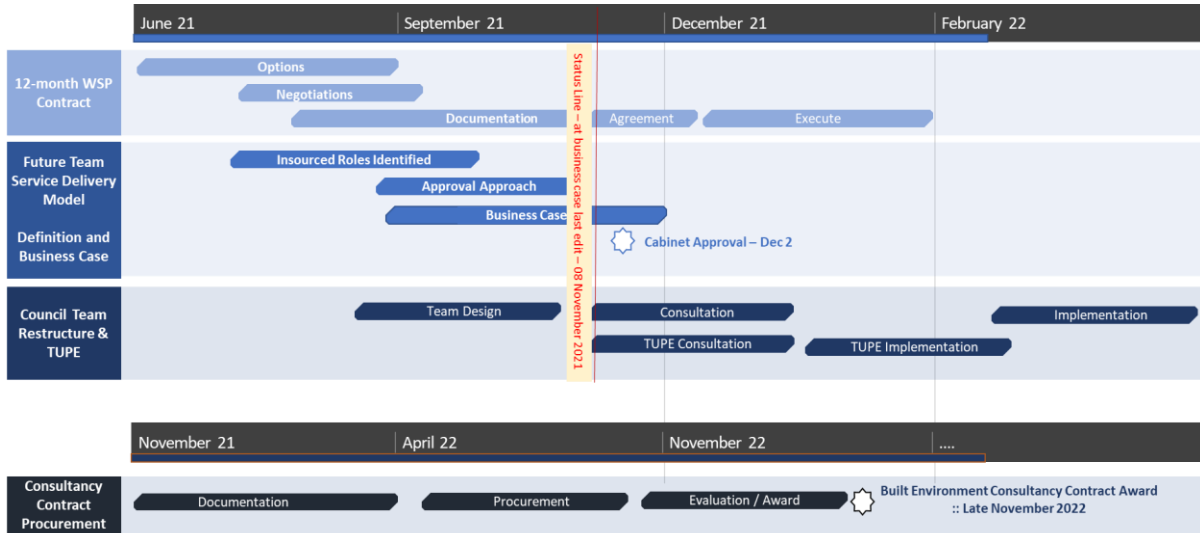
### **TUPE Processes Compliance**

The TUPE process will be undertaken in lockstep with the Council's Human Resource Team. Risk management and legal compliance will be followed per the project plan.

## Appendix A – Programme Plan

The following is the high-level plan as of November 8, 2021.

Activity Status: Green – No delays identified



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