

Public Document Pack

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03 May 2019

Dear Member,

Environment, Communities and Fire Select Committee - Thursday, 9 May 2019

Please find enclosed the following document(s) for consideration at the meeting of the Environment, Communities and Fire Select Committee on Thursday, 9 May 2019 which was unavailable when the agenda was published.

Agenda No	Item
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8.	Highways Maintenance Service Procurement (Pages 3 - 36)
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Delayed on advice from the Director of Law and Assurance.

Yours sincerely

Tony Kershaw
Director of Law and Assurance

To all members of the Environment, Communities and Fire Select Committee

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Environment, Communities and Fire Select Committee
9 May 2019
Highway Maintenance Service Procurement
Report by Executive Director Economy, Infrastructure and Environment and Director of Highways and Transport

Summary

Following the abandonment of a procurement process seeking to award a next generation Term Maintenance Contract, West Sussex County Council retained Balfour Beatty Living Places to continue to provide the necessary services under an interim arrangement pending a new, full procurement. This arrangement has been extended to end on 31 March 2020.

In response to the abandonment of service procurement, the Director for Highways, Transport & Planning commissioned an independent options appraisal study. The Options Appraisal report, as submitted to Environment, Communities and Fire Select Committee on 14 January 2019, underpins the business case for a new procurement strategy. It explored available routes to procure and alternate models for consideration for the future provision of highway maintenance services.

In part the driver for this study was the output from a lessons-learned exercise following withdrawal of the earlier procurement.

The Full Business Case is now presented setting out the procurement strategy.

The focus for scrutiny

It is suggested that Members consider the procurement strategy and disaggregation of services in line with the strategy.

Proposal

1. Background and Context

- 1.1 In response to the abandonment of the previous Highway Service procurement, the Director for Highways & Transport commissioned an independent options appraisal study. The report arising from the study underpins the business case for a new procurement strategy, and sets out available routes to procure and alternate models to be considered for the future provision of highway maintenance services.
- 1.2 Building upon the options appraisal and recommendations of this study a Prior Information Notice was issued to market on 18 January 2019 and further detailed market engagement through face-to-face supplier meetings was conducted over three days. From this engagement and subsequent analysis the recommendation of the initial options appraisal report was further developed.

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- 1.3 The market engagement alongside consideration of the current economic pressures in the operating environment has resulted in a proposed procurement route of presenting the services as six independent service lots under a single procurement. The details of each Lot are set out within the full business case.

2. Proposal

- 2.1 The full business case recommends a Disaggregated Services in Multiple Lots as the most appropriate approach to fit the needs of the council.

2.2

Option 3	Disaggregated Services Multiple Lots Approach
Advantages	<ul style="list-style-type: none">• Offers service resilience through flexible supply chain• Likely to reduce application of costs – Fee on fee• Provides flexibility for change• Provides closer framework for collaborative working and innovation development• Stimulates local economy – accessible to local SME market
Disadvantages	<ul style="list-style-type: none">• Multiple points of contract management• Additional activity running mini competitive tenders in contract
Conclusion	Deemed manageable with existing internal resource and offers potential financial and improved social value benefits

3. Resources

- 3.1 The Director of Highways, Transport & Planning has committed sufficient resource to manage the procurement exercise in support of WSCC Procurement.
- 3.2 Further resource has been put in place to support this procurement by WSCC Commercial & Finance and the Commercial & Procurement Legal team.

Factors taken into account

4. Issues for consideration by the Select Committee

- 4.1 The Select Committee is asked to consider the procurement strategy and rationale for disaggregation of the services.

5. Consultation

- 5.1 The Options Appraisal report was submitted to Environment, Communities and Fire Select Committee on 14 January 2019 for consideration. The committee is also due to scrutinise the Highway Maintenance Plan in June 2019.
- 5.2 Requirements of service specifications have been informed by internal operational forums and options shaped through detailed market engagement.

6. Risk Management Implications

- 6.1 Existing corporate arrangements for risk management are in place and a full Risk, Assumptions, Issues and Dependencies log is being run by the Project Manager.

7. Other Options Considered

7.1

Option 1		Do Nothing – N/A	
Advantages			
Disadvantages		<ul style="list-style-type: none"> • With legislative and regulatory obligations for maintaining the highway, WSCC must have in place provisions to deliver maintenance services. • Failure to put in place suitable arrangements will leave WSCC in breach of its statutory obligations. 	
Conclusion		Option discounted	
Option 2		Repeat procurement – Single Service Provider	
Advantages		Alignment with current service provision	
Disadvantages		<ul style="list-style-type: none"> • Delay to realising potential benefits • May be in breach of OJEU • Lacks flexibility and resilience in current market • Incurs higher level of management fee and multi-tiered margins attributed • Volatility of current Tier 1 suppliers 	
Conclusion		This is a low risk option that will incur management fees plus fee-on-fee for works	

8. Equality Duty

- 8.1 An Equality Impact report (EIR) is not required.

9. Social Value

- 9.1 The new highway services contracts will be designed to provide added social value. This reflects the Council's duty under the Public Services (Social Value) Act 2012.
- 9.2 The contract design will consider the wider social, environmental and economic benefits, which are set out in the County Council's Sustainability Strategy 2015-2019.
- 9.3 The new contract will also include a commitment to the West Sussex Community Covenant.

10. Crime and Disorder Implications

- 10.1 There are no implications.

11. Human Rights Implications

11.1 There are no implications.

Lee Harris

Executive Director Economy,
Infrastructure & Environment

Matt Davey

Director of Highways & Transport

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Appendix: Full Business Case - HIGHWAY MAINTENANCE SERVICES PROCUREMENT

With;

- WSCC Highways Procurement Strategy
- WSCC Highway Services Proposed Procurement Lots
- Project Initiation Document
- Indicative High Level Milestones Plan
- Risk Register

No background papers



Initiative Name:	HIGHWAY MAINTENANCE SERVICES PROCUREMENT
Initiative/Project Manager:	PETER SMITH
Programme	PROCUREMENT
Senior Responsible Owner:	MATT DAVEY, DIRECTOR, HIGHWAYS & TRANSPORT
Version	V0.3

Document History

Version	Date	Author	Summary of Changes made	Initials
v0.1	29/3/19	PS	Initial Draft	PS
V0.2	02/4/19	PS	Draft with Project Board revisions	PS
V0.3	09/4/19	PS	Final	PS

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1 Executive Summary

West Sussex County Council (WSSC) is a designated Highways Authority under the Highways Act 1980.

The most recent Term Maintenance Contract for highway infrastructure with Balfour Beatty Living Places (BBLP) expired on 30 June 2018.

Following the abandonment of a procurement process seeking to award a next generation Term Maintenance Contract for these services, WSSC retained BBLP to continue to provide these necessary services under an interim arrangement pending a new, full procurement, which has been extended to end on 31 March 2020.

In response to the abandonment of service procurement, the Director for Highways & Transport commissioned an independent options appraisal study, the report for which is contained at Appendix A. This report underpins the business case for a new procurement strategy, to explore available routes to procure and alternate models that should be considered for the future provision of highway maintenance services.

In part the driver for this study was the output from a lessons learned exercise following the abandonment of the earlier procurement.

The shortlisted options considered within that study are set out below;

Shortlisted Contract Options Appraisal Summary		Corporate Objective	Rank	Experiential Objectives	Rank	Service Objectives	Rank	Totals	Overall Rank
a.	Single Supplier Commissioning Model	2.80	3	3.31	6	3.33	5	3.15	6
b.	Single Supplier Traditional TMC Contract	3.00	2	3.85	1	3.65	4	3.50	3
c.	Mixed Economy Single Provider Frameworks	3.20	1	3.79	2	3.77	1	3.59	1
d.	Mixed Economy Multiple Provider Frameworks	3.20	1	3.67	5	3.77	1	3.55	2
e.	In-house – with Top-up delivery	3.00	2	3.68	4	3.69	3	3.46	4
f.	In-house	2.60	4	3.78	3	3.71	2	3.36	5

Building upon the options appraisal and recommendations of this study a Prior Information Notice was issued to market on 18 January 2019, through the In-tend portal, and further detailed market engagement through face to face supplier meetings was conducted over three days. From this engagement and subsequent analysis the recommendation of the initial options appraisal report was further developed.

The core analysis and strategy supporting this full business case is set out in the WSSC Highways Procurement Strategy presentation at Appendix B.

The extensive market engagement and consideration of the current economic pressures in the operating environment has resulted in the proposed

procurement route of presenting the services as six independent service lots presented in Appendix C.

The market insight and analysis concluded that disaggregation of services would;

- Encourage and stimulate local economy suppliers.
- *Not* result in any additional management resource within WSCC to manage multiple suppliers
- Likely provide a model to realise better value for money benefits; and
- Provide a better collaborative environment to develop and implement innovation going forward

WSCC Procurement & Contract Services and Highways & Transport are now in a position to run a new procurement for contracts to replace the interim arrangement with a next generation of maintenance service contracts starting on 1 April 2020.

Recommendation

That the Senior Responsible Officer and Project Board:

1. Supports the recommendations of this Full Business Case (FBC) to progress the six lots procurement options for the provision of a full suite of contracts for Highways Services;
2. That Lot 1, 2 and 3 contracts have an initial minimum period of 5 years with the option to extend as appropriate to a maximum total duration of 10 years, subject to performance;
3. That Lots 4, 5 and 6 be let as discipline defined Lots under a single works Frameworks capped at five suppliers per Lot;
4. To follow the procurement route of an Open Procedure to expedite and simplify the process.

2 The Strategic Case

2.1 Strategic overview/fit

Under the Highways Act 1980 WSCC, as the Highways Authority has duty to maintain highways maintainable at public expense.

There are a number of legal duties that must be observed by WSCC to ensure that roads are safe and passable. This includes:

- To maintain public roads to a standard that ensures they are safe and passable
- To make adequate provisions to ensure that safety measures are in place for adverse weather conditions, such as icy pavements and roads.
- To recognise the character of each road across the network to ensure that it is maintained effectively for the volume and type of traffic use.
- To ensure appropriate warning signs are in place for any dangers on the road
- To maintain adequate records of works and repairs carried out on the road
- Make repairs as swiftly as possible to any known damages to the road and to ensure that any damage that isn't immediately fixed is communicated to road users.

If a claim is made against any highway authority, to provide a satisfactory defence, the authority must be able to prove that they had not breached their duty of care and that all reasonable measures had been taken to prevent harm to road users.

To ensure the integrity and continuity of these outsourced services is incumbent upon the authority to replace the current service provision contract in a timely manner.

[WSCC Highway Infrastructure Asset Management Policy and strategic approach](#) published on the county council website fundamentally underpins maintenance activity across our infrastructure and aligning this procurement to deliver a scope of services to meet the needs of an asset management approach is a critical driver to the project.

Primary drivers informing the procurement approach for the new contract arrangements are to;

1. Deliver continuity of service to ensure the safety of the highway infrastructure, and the users of the network
2. Promote joint working where it will provide benefit for service delivery and in securing efficiencies
3. Endeavour to meet our customers' expectations

4. Provide a flexible contract model capable of adapting in an agile way to respond to our needs, and
5. Achieving the most economically advantageous offering for the County Council

These drivers in turn align with the five priorities as set out in the West Sussex Plan;



By adopting a strategy that will stimulate and encourage suppliers within the West Sussex economic area we will aid growth and encourage West Sussex to be a Prosperous Place.

Delivering good levels of maintenance and improvements across our highway infrastructure network will also feed in to making ours a Prosperous Place.

In ensuring the service meets the Highway Authority's obligations to maintain public roads to a standard where they are safe and passable and in making adequate provisions to ensure that safety measures are in place for adverse weather conditions we will help to provide for Safer Stronger Communities.

Maintaining and improving our footway infrastructure ensures safe accessibility, for young and old, hence supporting our values for a Best Start in Life and Independence for Later Life.

In providing a framework for collaborative working and nurturing innovation, joining with and engaging with our communities we will demonstrate we are a Council that Works for the Community.

2.2 Strategic Principles

Our strategic principles include:

1. To maintain public roads to a standard that ensures they are safe and passable
2. To make adequate provisions to ensure that safety measures are in place for adverse weather conditions, such as icy pavements and roads.

3. Collecting and collating data to inform our maintenance priorities through understanding the character of each road across the network to ensure that it is maintained effectively for the volume and type of traffic use.
4. To deliver services in an affordable and cost effective manner
5. To secure a return on our capital investment by reducing our revenue maintenance costs ensuring financial sustainability
6. To take advantage of other local strategies and initiatives being carried out by other community service providers and their impact on the Council’s community services

2.3 Objectives

The key service objectives identified through the options appraisal study include:

Safe and Well Managed	We will deliver a safe and well-managed infrastructure that provides user confidence and is maintained to a satisfactory condition in accordance with the Council’s policies.
Customer Focused	We place our Customers experience at the forefront of everything we do, by providing safe and accessible networks that promote clear travel choices and communicate our actions to our local communities and wider stakeholders.
Data Driven Decisions	We manage our Assets in an effective way utilising data to help inform our decision making and prioritise our investment so that our infrastructure is safe and well maintained.
Value for Money	We demonstrate Value for Money in our decision making, through our performance frameworks and if necessary consider income generation and commercialisation to help deliver a consistent standard of service.
Collaborative Relationships	We will secure Collaborative relationships with our Suppliers, Customers and Stakeholders to deliver partner mutuality, empower communities and maximise the potential from our contracts.
Resilient and Sustainable	We will deliver service levels and provide a resilient infrastructure network that is sustainable and reduces the impact on the local environment whilst supporting Social Value outcomes.

2.4 Risks, dependencies and constraints

The main risks to the project and planned mitigation activity are set out in the project Risk Register, a snapshot of which can be referenced at Appendix G.

The main dependencies for the procurement project and proposed management action include:

1. Procurement consultancy contract with Hants CC to support the delivery of the Procurement Strategy. This dependency will be managed through liaison of H&T Project Manager and WSCC Procurement team to ensure works are completed to time, cost and quality expectations.

The main constraints for the project are:

1. Operational – Services in scope of the project will meet the statutory and non-statutory requirements.
2. Financial – Defined Revenue budget projections for the duration of the contract lifecycle are unlikely to increase and are likely to be reduced.
3. Time – there remains a finite longstop date for the existing interim service provision arrangement.

3 The Economic Case

3.1 Critical Success Factors

- Stakeholders and customers have confidence in the tender and selection process
- Tender identifies viable, stable and competent contractors with sufficient resources to manage and deliver services
- Systems, processes and resources are aligned and / or integrated to enable efficient delivery of services
- Effective and transparent communication between all parties including internal/external stakeholders, delivery partners in a collaborative approach.
- Affordability – that WSCC service levels for delivery can be met sustainably within available budgets

3.2 The Options

In considering the procurement strategy the service reviewed the options below;

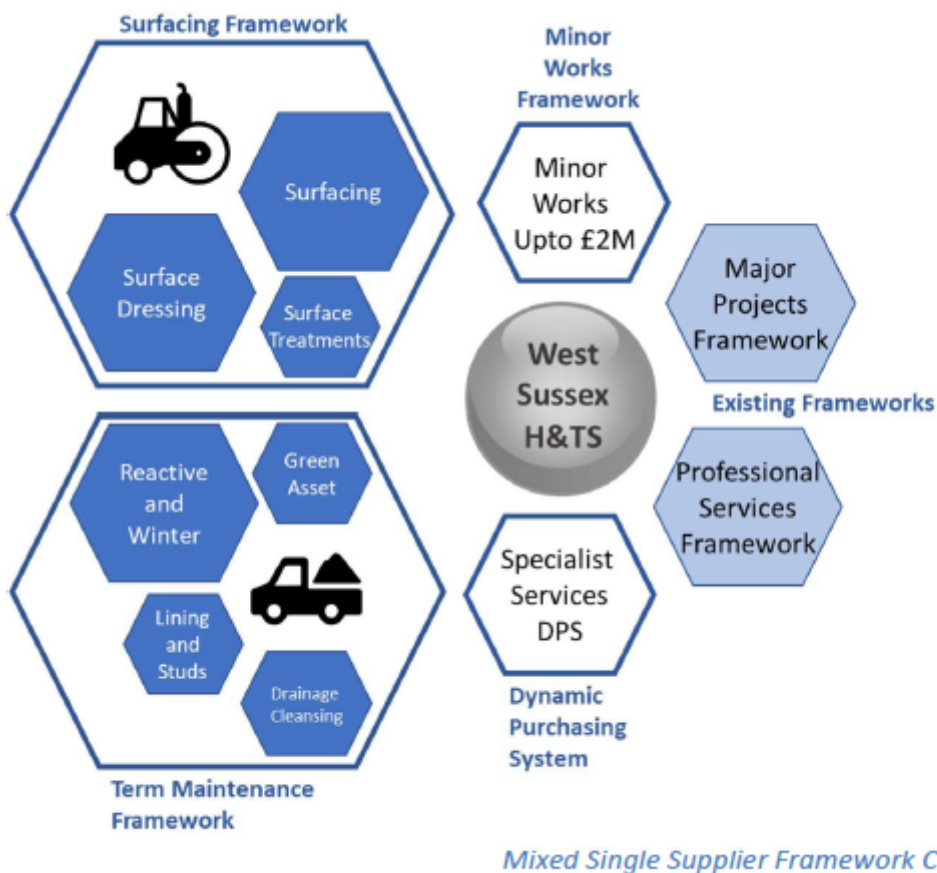
Option	Description
Do nothing	Not Considered - Failure to put in place a replacement service provision would put WSCC in breach of its statutory obligations
Repeat procurement – Single Service Provider	Re-run a single supplier contract procurement
Disaggregated Services Multiple Lots Approach	Agree and adopt a form of multiple Lot procurement, accepting a range of contract forms best suited to individual Lots to secure provision of all services
Return to in-house operational delivery model	Seek to establish in house operation to deliver all highway maintenance services

The options appraisal study looked in detail at feasible options and the table below provides a summary of the options appraised as part of this business case with weighted ranking scores relevant to the defined service objectives.

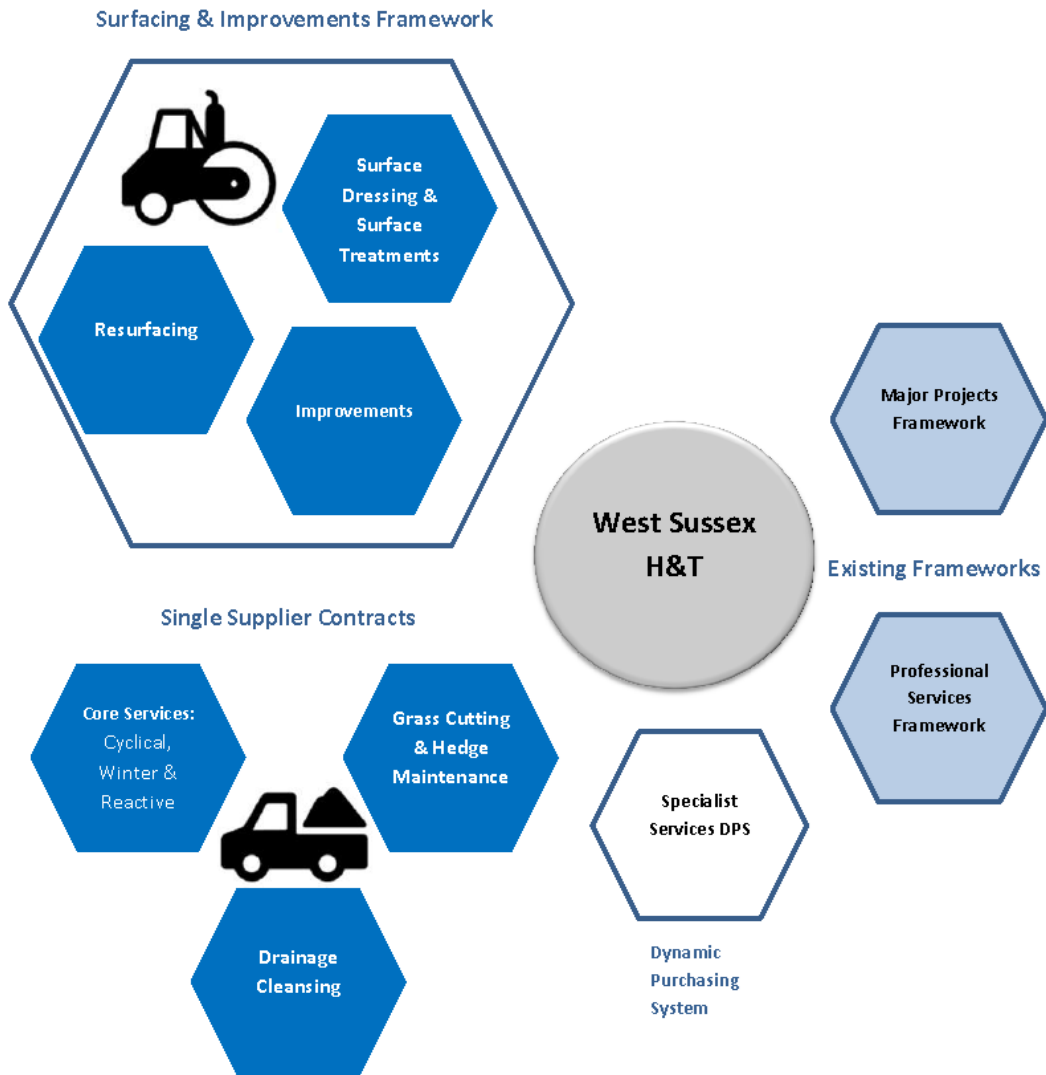
Shortlisted Contract Options Appraisal Summary		Corporate Objective	Rank	Experiential Objectives	Rank	Service Objectives	Rank	Totals	Overall Rank
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c.	Mixed Economy Single Provider Frameworks	3.20	1	3.79	2	3.77	1	3.59	1
d.	Mixed Economy Multiple Provider Frameworks	3.20	1	3.67	5	3.77	1	3.55	2
e.	In-house – with Top-up delivery	3.00	2	3.68	4	3.69	3	3.46	4
f.	In-house	2.60	4	3.78	3	3.71	2	3.36	5

3.3 Options Development

The initial Options appraisal stage recommended the structure illustrated below;



Following work by internal operational forums, further detailed market engagement and analysing the feedback, while considering the internal contract management resource, cost and contractor levels of fee and local overhead the shape of contract model has evolved to that illustrated below;



3.4 Options Appraisal Approach

A systematic and comprehensive approach has been applied to the options appraisal process to help inform a ranked list of the most appropriate options.

The documents supporting the Highways Procurement Strategy in setting out the detail of this approach include;

- The Options Appraisal report Oct 2018 - Appendix A
- Market Insight Guide - Appendix I
- Market Insight Feedback - Appendix J
- Market Lots indicator - Appendix C

The following assumptions (which will require regular review and challenge to ensure they hold true) have been made as part of the options appraisal process:

- Technical specifications are in line with Highway Maintenance best practice and adhere to Highway Maintenance Efficiency Programme (HMEP) and/or the Specification for Highways Works as appropriate
- The Service Levels forming part of the Employers Requirements within the tender documentation shall be presented for pricing evaluation at minimum base levels set below current established policies of the council.

3.5 The preferred option

The table below provides an appraisal summary for each option:

Option 1	Do Nothing – N/A
Advantages	
Disadvantages	<ul style="list-style-type: none"> • With legislative and regulatory obligations for maintaining the highway, WSCC must have in place provisions to deliver maintenance services. • Failure to put in place suitable arrangements will leave WSCC in breach of its statutory obligations.
Conclusion	Option discounted
Option 2	Repeat procurement – Single Service Provider
Advantages	Alignment with current service provision
Disadvantages	<ul style="list-style-type: none"> • Delay to realising potential benefits • May be in breach of OJEU • Lacks flexibility and resilience in current market • Incurs higher level of management fee and multi-tiered margins attributed • Volatility of current Tier 1 suppliers
Conclusion	This is a low risk option that will incur management fees plus fee-on-fee for works

Option 3	Disaggregated Services Multiple Lots Approach
Advantages	<ul style="list-style-type: none"> • Offers service resilience through flexible supply chain • Likely to reduce application of costs – Fee on fee • Provides flexibility for change • Provides closer framework for collaborative working and innovation development • Stimulates local economy – accessible to local SME market
Disadvantages	<ul style="list-style-type: none"> • Multiple points of contract management • Additional activity running mini-comps in contract
Conclusion	Deemed manageable with existing internal resource and offers potential financial and improved social value benefits

The preferred option following the full options review exercise is option 3.

This business case recommends the following:

Implementation of procurement for Lots aligned to the paper as set out in Appendix C

3.6 Economic appraisals

There are a number of high-level financial and non-financial benefits expected from the provision of highway maintenance services to be realised through the preferred option. Alignment to the West Sussex Plan is indicated in more detail at section 6.4, and below are key benefits;

Financial benefits are centred on the following;

- Cost avoidance – through the reduction of attributable overhead and management fee
- Revenue services manageable within static budgets

Benefits associated with social value;

- Stimulus for the local economy through opportunities for local enterprise
- Enabling reductions to journey times, promoting a safe environment, sustainability and growth in the economy

The model will directly enable meeting corporate targets set on road condition and infrastructure improvements as well as directly and in-directly contribute towards a number of priorities and outcomes in the West Sussex Plan (WSP).

Priority	Outcome	ID	Measure
A council that works for the community	A council that works for the community	100	Customer enquiries that will be answered at first point of contact
A council that works for the community	Customer focused	56	Level of satisfaction of the services received by our residents
A council that works for the community	Value for money	57	Delivering services within annually defined budgets
A council that works for the community	Open and transparent	58	Providing clear communication across multiple mediums to inform our customers
A strong, safe and sustainable place	Strong communities	87	Engagement and partnering initiatives with community groups
A strong, safe and sustainable place	Sustainable environment	44	Carbon reduction achieved by WSCC

4 The Commercial Case

The commercial case for the procurement strategy is underpinned by the extensive market engagement, feedback and analysis evidenced within the options appraisal study and subsequent market insight activity referenced in the WSCC Highways Procurement Strategy and its documentation.

In revisiting the approach of the procurement exercise commenced in 2016 the Highways & Transport service sought to establish if the model for service delivery under a single service provider remained the most robust and commercially viable option or whether changes in the supply market, national economic changes and local challenges put to WSCC would lead to a different approach providing better value in fiscal, stakeholder, logistical and local economic terms.

Lots indicator paper reinforces that there is appetite in the market place for suppliers to deliver services in the option model recommended.

The options appraisal provided a basis of revision to the strategic approach which has led the Highways & Transport service to understand that disaggregation of the procured services is likely to realise benefits in;

- Improved resilience in supply through flexibility of multi-supplier frameworks
- Opportunity for service providers in the local economy to deliver direct to the authority

- Reduced cost to the authority in contractor management and overhead costs

The increasing fragility of single service provider models and risk of reliance upon one-stop-shop contractors has reinforced the revised approach for disaggregation.

4.1 Required services

Required services are;

1. Reactive services,
2. Winter services,
3. Signage maintenance and provision,
4. Pothole repairs,
5. Structures maintenance,
6. Weed control,
7. Tree maintenance
8. Fencing
9. Reactive Works and Ancillary Services - Provision of Minor Works including TM, footway repair, structures vegetation clearance, minor bridge pointing & repairs, drainage repairs & upgrades, general fencing, groundworks and carriageway patching service.
10. Lining & Road Studs Refresh programme
11. Drainage Cleansing
12. Hedge Maintenance and Grass Cutting
13. Carriageway & Footways Resurfacing - Provision of carriageway resurfacing works in end-to-end packages,
14. Planned carriageway patching
15. Carriageway Surface Dressing - Provision of carriageway surface dressing works
16. Carriageway & Footway Treatments - Provision of carriageway treatments, high friction surfacing, joint treatment, micro surfacing, retexture and carriageway recycling service.
17. Infrastructure Improvements – Provision of highway infrastructure improvements including, footway reconstruction, drainage, groundworks.
18. Structures, Bridges and VRS improvements and upgrades

4.2 Potential/Agreed risk transfer

NEC Option suite risk transfer

Level of risk has not changed. The landscape of risk has evolved.

4.3 Milestones & Delivery dates

The key indicative milestone dates and activities of the procurement are set out in the project plan which can be seen at Appendix E.

4.4 Contract Length

The proposed length of contract for individual Lots is indicated within the Highway Services Proposed Procurement Lots paper – Appendix C.

4.5 Key Contract Clauses

Key contract clauses will be determined during the procurement design stages and tender documentation preparation stages.

4.6 Personnel implications (including TUPE)

No personnel implications have been identified affecting WSCC staff.

TUPE will apply to staff employed by BBLP under the current contract arrangements and full disclosure of TUPE data has been requested.

4.7 Procurement Strategy

The procurement strategy is illustrated within the WSCC Highways Procurement Strategy paper at Appendix B.

5 The Financial Case

The financial assessment for the options appraisal study was based on the delivery of the current services across a range of delivery options.

The analysis used information from the recent procurement as a baseline for the costs of delivering the services, fee and overhead and actual costs of procurement and client side costs.

This information has been refreshed since the options appraisal study was completed to reflect recent changes in forecast budgets and to reflect the feedback of the market engagement.

The original analysis of the revenue expenditure indicated that, from a financial assessment, with the current range of services, there is very little variation between the various options, and much would be reliant on assumptions made around client side and contract side local overhead costs. The conclusion is that the variations fall within a margin of error and can be largely seen as cost neutral.

A summary cost comparison model between a single supplier, all services model and disaggregated services, multi-supplier model is attached at Appendix K.

Work was carried out with the market to look at the fees and overheads applicable to varying value of TMC and framework contracts and thereby the benefits of moving to different commissioning models.

In disaggregating the services and focussing Lots for critical areas of revenue spend, 1-Core Services, 2-Drainage Cleansing and 3-Grass Cutting and Hedge Maintenance, it is envisaged a reduction in overall local overhead and fee will make a material change to the costs of these services.

At the lower value Lots, market feedback indicates that experienced and competent SME service providers, with lower operating costs, will be encouraged to compete for the opportunities. Direct contracting with local government, and the cash flow security that offers, is also attractive to this level of organisation.

Current indicative figures of projected budgets and spend for the procurement project are set out below.

Highways Contract Procurement 2019/20	Year-End Projection
	£
HCC Procurement	100,000
Mobilisation Costs	0
Legal Costs	80,000
Commercial assistance	9,000
H&T Project Management	110,880
Demobilisation costs	0
Total External Cost	299,880
Internal - CP-83007.2	
	£
Deputy PM - Hay D (MH)	0
Assistant Project Manager - Grade 11 (NH)	66,000
Project Support Officer - Grade 7 (CC)	0
	0
Total Internal Cost	66,000
Total Cost	365,880

5.1 Capital Consequences Indicative Position

- Lots covering capital delivery works will be subject to mini-competitions for programmes and work packages in-year. The preferred option model anticipates there will be no local contract overhead, or management fee, attributable to these elements of service.
- The running of mini-competitions, likely to range from 3 to 5 per annum will introduce marginal internal costs for preparation and evaluation.
- Indicative annual capital spend of £12m is likely to be supplemented with additional central government grant funding against which the current single supplier arrangement would incur management fee. An evidenced projection for cumulative capital spend across the service in 2019/20 is circa £29m

5.2 Impact on the organisation's income and expenditure account (revenue account)

Indicative Position

- A key assumption has been applied that the indicative annual net revenue budgets will **not** increase over lifecycle of contracts.
- Flexibility and ability to realise future savings will necessarily be built around revision of service levels

5.3 VAT implications

There are no potential VAT implications arising from the contracting options.

6 The Management Case

6.1 Project management arrangements

Full governance structure has been set out within the Project Initiation Document - Appendix D, which details roles and responsibilities. Terms of Reference for the Project Board have also been established – Appendix F.

Also, a formal panel of technical advisors for the client has been established. This Technical User Group has its own Terms of Reference.

6.2 Use of consultants

Hampshire County Council will provide procurement resource services and provide the strategic lead for procurement.

Highways & Transport directorate will retain project management resource through WSP professional services.

Legal services will retain Acuity Law for support resource.

6.3 Arrangements for contract management

Existing contract management arrangements apply. It has been a key consideration for the options appraisal and preferred model that, while there will be business change within the Highways & Transport service, the structure and management of the contracts will integrate well with the client structure.

6.4 Arrangements for benefits realisation

The tender documentation will set out the parameters for contract management against the established Highways & Transport Performance Framework and will define a series of KPI's that will be measured and used to monitor the contracts.

Benefits will be tracked and reported in a dashboard format to the H&T Senior Management Team on a quarterly basis.

The principal benefits identified for realisation through the procurement of the services are aligned to five priorities of the West Sussex Plan;

A Prosperous Place

- That the procurement will provide opportunity and stimulus to businesses within the local economy
- That the service delivery to our specifications and service levels will provide an efficient transport infrastructure, reducing journey times and promoting growth in the economy

A Strong, Safe and Sustainable Place

- That the service delivery to our specifications and service levels will provide an safe transport infrastructure, reducing incidents and accidents
- Will ensure safe and secure routes for customers of all ages to walk, ride and travel across the county

- Will, through meeting the set standards of maintenance, improve journey times and reduce carbon emissions
- Will, through meeting the set standards of maintenance and engaging in collaborative working, introduce innovations for use of recycled materials, and recycling materials across the network

A Council that works for the Community

- That the service delivery to our specifications and service levels can respond to the needs of communities
- That the service and supply chain partners will be transparent and will engage with stakeholders in regard to the maintenance planning across the county

6.5 Arrangements for risk management

Existing corporate arrangements for risk management will apply.

The procurement project risk register is shown in Appendix G.

6.6 Contingency plan

The procurement project will ensure arrangements are in place to allow for business continuity.

A high level indicative milestones plan is shown in Appendix E.

6.7 Gateway/reporting arrangements

Project progress will be reported on a monthly basis to the Project Board and quarterly to the Steering Group until such time that these Boards are assured delivery is on track.

7 Equality Impact Implications

An Equality Impact report (EIR) is not required.

This report is dealing with internal procedural matters only.

The public sector equality duty will apply to the delivery of the services which fall within the contract, and the terms of the contract will ensure that they enable the

Council to fulfil its obligations through the delivery of the contract, and provide sufficient assurance that the duty will be complied with.

8 Social Value Act Implications

The new highway services contracts will be designed to provide added social value. This reflects the Council's duty under the Public Services (Social Value) Act 2012.

The contract design will consider the wider social, environmental and economic benefits, which are set out in the County Council's Sustainability Strategy 2015-2019.

The new contract will also include a commitment to the West Sussex Community Covenant.

Appendix B - WSCC Highways Procurement Strategy

Available to members on request

APPENDIX C – WSCC Highway Services Proposed Procurement Lots

Available to members on request

APPENDIX D – Project Initiation Document

Available to members on request

APPENDIX E – Indicative High Level Milestones Plan

Highway Services Contracts Procurement

West Sussex County Council
Peter Smith

Project Start Date: 18/01/2019
Display Week: 1

Milestone Description	Category	Assigned To	Progress	Start	No. Days
Highways Framework / TMC / Arrangement					
Launch PIN	Goal	Alison Eastman	100%	18-Jan-19	14
Close PIN	Milestone	Alison Eastman	100%	06-Feb-19	0
Market Engagement (Soft Market Testing) Sessions Start	Goal		100%	06-Feb-19	6
Business Case Completed	Milestone		0%	28-Mar-19	0
Business Case Approved	Milestone		0%	29-Mar-19	15
Scope review	Goal	Alex Sharkey,Andy Ekinsmyth,Guy Bell,Jonathan Ullmer,Kieran Dodds,Pete Smith,Steve Parsons,Sam Pullinger	100%	27-Feb-19	14
Scope Completed	Milestone		100%	18-Mar-19	0
Service Levels Confirmation	Milestone	Alex Sharkey,Andy Ekinsmyth,Guy Bell,Jonathan Ullmer,Kieran Dodds,Pete Smith,Steve Parsons,Sam Pullinger	50%	19-Mar-19	14
Specification review	Goal	Alex Sharkey,Andy Ekinsmyth,Guy Bell,Jonathan Ullmer,Kieran Dodds,Pete Smith,Steve Parsons,Sam Pullinger	10%	08-Apr-19	14
Specification completed	Milestone		0%	10-May-19	0
Select Committee - scrutiny	Milestone	Matt Davey, Pete Smith, Neil Hewitt		09-May-19	0
Procurement Board	Milestone	Matt Wigginton, Steve Parsons	0%	18-Apr-19	0
Define Data Room Content	Goal		10%	10-May-19	1
Business Change Review			0%	26-Apr-19	63
People & Communications Review			0%	10-May-19	28
Tender Document Preparation			0%	10-May-19	30
Terms & Conditions agreed with Legal/Client	Milestone	Steve Parsons,Matt Wigginton,Suzanne Lewis	0%	21-Jun-19	0
Contract Notice Published	Milestone	Alison Eastman	0%	01-Jul-19	0
Tender Period			0%	03-Jul-19	51
Moderation Completed	Milestone		0%	23-Oct-19	0
Preferred Bidder(s) Identified	Milestone	Steve Parsons, Matt Davey	0%	24-Oct-19	0
Internal Notification of Recommendation for Preferred Bidder(s)	Milestone	Pete Smith, Matt Davey	0%	24-Oct-19	1
Notification to all Bidders - Standstill Letters	Milestone	Pete Smith, Matt Davey	0%	24-Oct-19	1
Start of Standstill Period	Goal		0%	25-Oct-19	11
End of Standstill Period	Milestone		0%	05-Nov-19	0
Project Board Review and Recommendation	Goal		0%	06-Nov-19	1
Key Decision Report	Goal		0%	07-Nov-19	14
CONTRACT AWARD	Milestone		0%	21-Nov-19	0
Contract Award Notice Period	Goal		0%	22-Nov-19	30
Contract Award Notice Deadline	Milestone		0%	20-Dec-19	0
Contract Mobilisation Starts	Goal		0%	06-Jan-20	62
Contract Start	Milestone		0%	01-Apr-20	0

APPENDIX G – Risk Register

Risk No	Risk Description	Risk Owner	Risk Impact	Date Risk Raised	Initial Risk Score			Risk Strategy	Target Risk			Risk Update	Current Risk		
					Impact	Likelihood	Score		Impact	Likelihood	Score		Impact	Likelihood	Score
1	Contracts are not in place by 1st April 2020	PS	No service providers for some or all workstreams Need to extend current Contract Reputational damage to WSCC Potential for more claims from the public	03/12/2018	5	3	15	TREAT	5	1	5	In progress Complete - Project manager appointed	5	3	15
2	The wrong procurement model is chosen during option appraisal	MD	Effective delivery of workstreams and value for money will not be achieved	03/12/2018	4	3	12	TREAT	4	1	4	Group set up and future meetings arranged, ToR and standard agendas formed.	4	3	12
3	No tenders submitted from suitable Contractors for some workstreams	PS	Some workstreams would not be ready to commence on 1st April 2020	03/12/2018	4	3	12	TREAT	4	1	4	Market insight days in progress Group set up and future meetings arranged, ToR and standard agendas formed.	4	3	12
4	Lack of interest for Core service contract	TUG	Service not provided, reputational damage to WSCC	03/12/2018	5	4	20	TREAT	5	1	5	Market insight days in progress PIN Lots issued - TUG to review feedback	5	4	20
5	Lack of WSCC procurement resource delaying project progression	PS	Delay of the project - not awarding on 1st April 2020 Need to extend current Contract Reputational damage to WSCC Potential for more claims from the public	03/12/2018	4	4	16	TREAT	4	1	4	Resource identified and in	4	4	16
6	Not producing robust set of contract documents	PS	Process could be subject to legal challenges	03/12/2018	4	3	12	TREAT	4	2	8		4	3	12
7	Not producing a set of Contract documents that are congruent to WSCC	PS	Documents are not effectively supporting workstream delivery in line with WSCC aims and objectives Long term saving requirements through efficient lean contracts not achieved	03/12/2018	4	3	12	TREAT	4	2	8	SME matrix to be developed	4	3	12
8	Lack of governance and timely key decision making delaying the project	PS	Delay of the project - Not awarding on 1st April 2020 Need to extend current Contract Reputational damage to WSCC Potential for more claims from the public	03/12/2018	5	3	15	TREAT	5	1	5	PID sets out clear governance structure. Project Board established with attendance from all critical services.	3	2	6
9	Lack of skill sets to manage contracts effectively post award	MD / SHT	Contractual disputes Poorly run contracts resulting in additional costs	03/12/2018	4	3	12	TREAT	4	1	4		4	3	12
10	Challenge on award and tender / evaluation process	PS	Delay in awarding contracts and additional costs incurred	03/12/2018	5	3	15	TREAT	5	1	5		5	3	15
11	TUPE - costs incurred by WSCC through resulting TUPE transfers redundancy	JoE	Financial cost to WSCC as yet undetermined	27/02/2019	4	4	16	TOLERATE	3	3	9		4	4	16
12	Political change	MD	Change in political leadership changes policy and requirements of delivery	06/03/2019	4	3	12	TOLERATE	3	3	9		4	3	12
13	TUPE - Loss of staff resource/knowledge & skills from WSCC operations due to insecurity of TUPE	MD	Detrimental impacts to delivery and quality in services	13/03/2019	4	3	12	TOLERATE	3	2	6		4	3	12
14	Lack of transparency of future funding from both central govt. and WSCC	MD	Inability to effectively plan for long-term service delivery - Service levels and budget	13/03/2019	3	3	9	TREAT	3	2	6		3	3	9
15	Affordability	JoE	Tender responses to services requested prove unaffordable	13/03/2019	3	4	12	TREAT	2	2	4		3	4	12
16	On-going Litigation	MD	Current litigation continues ad infinitum or results in court declaring Amey for contract award	13/03/2019	3	4	12	TOLERATE	2	2	4		3	4	12
17	Unclear strategic drivers	MD	Service provision request not aligned to WSCC needs	13/03/2019	3	3	9	TREAT	2	2	4		3	3	9
18	Delay due to lack of key officer commitment	MD	Delays to process and failure to meet milestones	13/03/2019	4	4	16	TREAT	2	2	4		4	4	16
19	Lack of procurement budget	MD / MW	No funding available to pay for procurement costs result in overspend to WSCC	13/03/2019	2	4	8	TOLERATE	2	2	4		2	4	8
20	Staff alienated through lack of communication of process	MD	Poor staff communication relating to and informing all staff of progress on a regular basis - staff disengage and impacts on commitment and performance	13/03/2019	3	4	12	TREAT	2	2	4		3	4	12
21	Ignore and or misinterpret market feedback	PS	Shape of tender does not garner responses from market	13/03/2019	3	3	9	TREAT	2	2	4		3	3	9
22	No clear and agreed set of Service Levels to be used in tender documentation	JU	Unable to produce tender documents for issue causes delay to tender process	20/03/2019	4	4	16	TREAT	2	2	4	Service level revisions to be ratified by Cabinet prior to scrutiny	3	3	9

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