

Annex A

HISTORY of HIGHWAYS MAINTENANCE PROCUREMENT in BRIEF

The procurement of highway maintenance has been a subject included on the agendas of numerous Executive meetings in recent years. The main reason for reviewing the procurement arrangements came from the Best Value review in 2001. This review identified the benefits of developing a highway improvement plan as well as researching the market to improve understanding of various approaches to procurement based upon output based contracts and partnership working.

A brief history of the procurement of highway maintenance, in so far as it has been reported to Members at strategic points in the process, is as follows:

- June 2001 report to the Executive - Best Value Review
- March 2003 to the Executive - A Strategy for Assessing Service Procurement
- July 2003 report to the Executive - Procurement of Services via a “Thin Client”
- March 2004 report to the Executive - Procurement of Highway Maintenance Services.
Outcome:
 - Approval of temporary extension of contract arrangements for the supply of highway maintenance services
 - Approval that the procurement of highway maintenance services should proceed on the basis of a single tender but in two parts.
- November 2004 report to the Executive - Procurement of Highways Maintenance Services.
Outcome:
 - If Commercial Services are assessed and accepted as the best value organization to carry out the work then business model 1 will be implemented.
 - If Commercial Services are not assessed and accepted as the best value organization to carry out work then business model 2 is the preferred option for further consideration, notwithstanding the merits of other options being explored with the preferred contractor, for further reporting to the Executive
- November 2004 report to the Executive - Procurement of Highway Maintenance Services.
Outcome:
 - The Executive endorsed the report and the progress made to date as the way in which it wishes to proceed with the Procurement of Highway Maintenance Service.
- March 2005 report to the Executive - Tendering strategy
Outcome:
 - Approval was given to the procurement of various traffic management maintenance contracts for CCTV, traffic signals, VMS signs etc on a separate basis.
- July 2005 report to the Executive - Procurement of Highways Maintenance Services - Evaluation Strategy.

Outcome:

- The selection of the preferred contractor based on the “most economically advantageous tender” (MEAT) proposal for the City of York Council, on a 60% quality, cultural criteria / 40% price and technical capability basis was approved.
- The use of the ‘restricted’ tender procedure in selecting the preferred contractor was noted.

- October 2005 report to the Executive - Procurement of Highway Maintenance Services – Post Evaluation Clarification.

Outcome:

- The Executive approved delegation of authority to hold post-evaluation clarification discussions.

- November 2005 report to the Executive - Procurement of Highways Maintenance Services – Preferred and Reserve Bidder

Outcome:

- Subject to the outcome of the market testing exercise on Commercial Services, the Executive agreed to nominate Alfred McAlpine Government Services as preferred bidder for Part A + B and Part A, with Amey Infrastructure Services as reserve bidder for Part A + B and Part A.

- May 2006 report to the Executive - Joint Report of the Director on City Strategy and the Director of Resources: Highway Services Contract Report

Outcome:

- Approval to the short term arrangements to extend contracts. Approval to the maintenance of the current arrangements with Commercial Services (reactive and routine maintenance including small footway improvement schemes) for 12 months to maintain safety on the highway network.
- Approval to the medium term arrangements to tender the carriageway and large footway schemes, integrated transport schemes and ward committee schemes for a period of 18 months starting from September 2006 extendable annually. The design and management function to remain in-house.
- The decision made by the corporate management team to suspend the current procurement process was approved, to allow investigation of the new emerging options to address the backlog of highway maintenance.
- The in-house procurement team will investigate long term options of a PFI contract and, an extended scope contract, and report back to Members with the outcome.
- The proposed management arrangements of a Project Board and a Steering Group were agreed.
- The pursuit of a further option, to develop existing arrangements, would go ahead in the event that the other two options are unsuccessful.

- July 2006 report to the Executive - Highways Services.

Outcome:

- The details for the reporting and management structures were approved.
- The appointments to the Steering Group were approved.
- Delegated authority was given to the Project Board and the Steering Group to submit an EOI, should this be considered appropriate, as there is insufficient time to bring a report to the Executive.

- September 2006 report to the Urgency Committee - Highways Services – PFI Option.

Outcome:

- Members noted that the outcome of the extensive investigation into a PFI option to provide highway maintenance services in the future.
- Approval was given to the submission of a PFI Expression of Interest for a Pathfinder Project to the DfT for highway maintenance management and works, with traffic management Infrastructure works.

Specific Issues in the Scrutiny Topic Registration Form

Regarding the specific issues raised in the Scrutiny Topic Registration Form the following comments may assist Members.

Potential savings were initially assessed, prior to any tender process, as being in the 5% to 10% region, depending on the type of contract. It is not possible to say if the previous procurement exercise would have delivered that level of saving, as it was not completed. One of the reasons for not completing the exercise was the attractiveness of the Pathfinder PFI contracts for highway maintenance, that came along in February 2006. If the Council is successful then the financial benefits will outweigh anything possible through other means as this is the only way of removing the backlog of works..

If the PFI opportunity is not successful then work currently being carried out will be reported to Members to enable a decision to be made about the most effective strategy for completing the procurement.

Members have already received a considerable number of detailed reports and have had the opportunity to examine these and to ask questions of relevant Chief Officers.

The District Auditor has been briefed on the procurement process earlier this year and is being kept informed.

Best practice has been and continues to be investigated. There is no established procurement package that works well in all cases but advice has been obtained, in 2006 for example, from the following:

- 4ps – advisors to DfT and Local Authorities on PFI and partnership projects.
- Deloitte – financial advisors to 4ps and Government, experienced in Lighting PFI projects and recently Highways Management projects at Portsmouth and Birmingham.
- Halcrow – technical advisor to DfT with hands on experience at Portsmouth and Birmingham.
- Portsmouth – learning from others seminars and discussions.
- Birmingham – learning from others seminars and discussions.
- Service providers – via a soft market testing exercise.
- Yorkshire and the Humber Regional Highway Procurement Collaboration Forum.

Prior to the previous procurement the local authorities across the country that were involved in similar procurements were contacted and in some cases visited to learn from their experience.