

## **SPECIAL CABINET – 9 MARCH 2010**

### **TRANSPORT SERVICES CONTRACT AWARD**

**Report by Director of Environment & Economy and  
Assistant Chief Executive & Chief Finance Officer**

#### **Introduction**

1. The term contracts for two key Highways contracts expire at the end of March 2010. Cabinet are aware of the work that has been undertaken to reshape the Transport Service to integrate with a private sector provider of Transport related services. This will encompass the transport work from the above two contracts.
2. This report sets out the background to the work carried out in the tendering process and recommends that the contract be awarded to the successful tenderer and to confirm that a contract can be entered into.

#### **Exempt Information**

3. This report contains information in Annex 2 that relates to the competitive procurement process and is commercially sensitive. The public should therefore be excluded if cabinet wishes to consider Annex 2 further as their discussion in public would be likely to lead to the disclosure of information in the following categories prescribed by Part 1 of Schedule 12A to the Local Government Act 1972 (as amended): paragraph 3 – information relating to the financial or business affairs of any particular person (including the authority holding that information) – and since it is considered that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in that disclosure would distort the proper process of the transaction and the Council's standing generally in relation to such transactions in future, to the detriment of the Council's ability properly to discharge its fiduciary and other duties as a public authority.

#### **Background**

4. The current term contracts for Engineering Consultancy Services (Jacobs) and Highway Maintenance and Works (Enterprise) come to an end on 31 March 2010. The Jacobs contract has recently been extended for a further 3 months to the end of June 2010. Despite attempts to extend the Enterprise contract for the same period this has failed.
5. Following extensive work to determine the approach to be taken in retendering these services and as agreed previously by Cabinet work began in 2008 to retender the contracts as a single contract for a period of 10 years to support the following Oxfordshire County Council agreed objectives;

## CA4E

- Achieve high standards of customer satisfaction
  - Deliver the transport capital programme reliably and cost effectively
  - Achieve sustainable and demonstrable efficiency savings
  - Improve the condition of local roads and pavements
  - Minimise the environmental impact of our activities
6. The Transport Service is currently reshaping the service to address areas where improvement is required. The objectives of this transition are;
- To be a “Leading Edge” transport and highways authority
  - Strong customer focus / high level of customer satisfaction
  - Total consistency of approach to delivery and customer interaction
  - Improved capacity for forward planning and programming
  - Smoother, clearer and more effective process of delivery
  - Certainty of delivery in cost / time
  - One Team culture – ownership of OCC aims
7. Through a process of competitive dialogue an initial list of seven contractors was reduced to a short list of three based on quality submissions. The dialogue process continued and allowed the bidders to contribute to the way in which the Transport Service would move forward and achieve the service efficiencies and financial savings both in the short term and ongoing. The three contractors Amey, Atkins and MGWSP (MayGurneyWSP) were then invited to tender.
8. The tender was divided into two areas for evaluation: a Qualitative section worth 60% of the evaluation which included questions concerning the service (supported by 24 annexes of detailed information), And a Financial section valued at 40% of the evaluation with a range of price specific exercises designed to ascertain value for money, and a draft contract.
9. Additionally, during the evaluation period each bidder attended a “cultural fit test” which involved a mock Transport Leadership Team dealing with some difficult scenarios. This was carried by Oxford Brookes University and was to assess how the integrated leadership team might react with each other in specific business situations. This process was included as part of the qualitative assessment.

### **Tender Evaluation**

10. Annex 1 provides information relating to the evaluation of the tenders. This includes:
- Principles of partnering for this process
  - The Performance framework for the contract
  - Service improvements required from the process and ongoing service
  - Summary of the Quality assessment
  - Summary of the Financial evaluation
  - Cost Profile based on a range of annual expenditure on the contract

- Overall assessment of combined Quality and Financial sections
11. Annex 2 provides more detail in this regard with full information relating to the detailed submissions on quality and financial assessment. This Annex is considered to be commercially confidential as set out in the above section.

## **Risk Management**

12. The contract is structured to reward the contractor for performance in the following way;

### ***Operational performance indicators (Profit)***

- For meeting agreed performance the provider is rewarded with a graduated profit
- For each task their profit fee is at risk
- Against a range of indicators they may recover all or part of their profit

### ***Strategic indicators (Contract extensions)***

- Linked to performance of the whole service
- Objectives are in line with the partnership's performance
- The provider can lose extensions that they have gained
- Council discretion to award extensions not gained in previous years

13. The contract does not guarantee any specific value of work and enables the council to allocate work to other contractors if it considers appropriate for any reason.

## **Financial and Staff Implications**

14. The three providers submitted prices in accordance with the contract. All prices have been checked to ensure arithmetical accuracy. A number of clarifications have been sought on the bidder's pricing strategy to ensure the bids are directly comparable and sustainable.
15. The two lowest prices submitted were close and offer good value for money for the council. Early indications are that the prices offer a saving of around 20% over the current arrangements which is in line with those projected into the Medium Term Financial Plan.
16. Annual inflation within the new contract is determined using RPIX; the current contract uses Baxter Indices more appropriate to construction projects. Historically, over the last 10 years RPIX has always been considerably lower than Baxter which will reduce the inflationary pressures on the contract.
17. A new Transport Service structure and revised governance has been devised to ensure the new partner is fully involved, committed and incentivised to deliver value for money and high standards of workmanship and customer relations through an integrated management structure where partner staff fill certain key posts within the management structure including the Assistant

Head of Service - Delivery. The new structure has reduced the overall number of managers in Transport from both provider and the Council.

18. In parallel, the partnership will require contractor staff to be managed by OCC and conversely, OCC staff to work with and be managed by contractor staff. This will require considerable change to the practices and processes operated. This will enable common goal setting while allowing the contractor to influence the business in a way that drives efficiencies in staff utilisation and economies of scale.
19. Additionally, there are staff at both Jacobs and Enterprise who are eligible to TUPE across to the new contractor. Unison have been actively involved throughout the process and in the dialogue meetings.

### Conclusion

20. The combined scores for cost and quality resulted with Y in first place followed by Z and X in second and third place;

Tenderer	X	Y	Z
Rank	3	1	2

21. The contract should be awarded to company Y – Atkins.

### RECOMMENDATION

22. **The Cabinet is RECOMMENDED to approve the signing of a contract with Atkins to provide Oxfordshire County Council’s transport and highway work within the terms of the contract.**

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