

# Executive Report



Delegated Decisions - 19 March 2024

## HIGHWAYS INFRASTRUCTURE TERM SERVICE CONTRACT 2024

Name of Cabinet Member	<b>Councillor Paul Trendall</b> (Cabinet member for Customer Services)
Report sponsor	<b>Stuart Proffitt</b> Director of Environment and Property
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Exempt / confidential / not for publication	<b>Yes - Annexes A and C</b>
Council Plan reference	<b>Do the essentials well (Well-maintained highways and infrastructure)</b>
Wards affected	<b>All wards</b>

### Executive Summary

The current Highways, Street Lighting and Network Infrastructure Contract (CU2276A) delivers all highway related works operations for Milton Keynes City Council. This service is currently provided by Ringway Infrastructure Services Ltd (RIS) and is due to expire on 31 August 2024.

A Delegated Decision was taken on 2 August 2022 which approved the recommendation to re-procure the Highways, Street Lighting and Network Infrastructure Contract.

The procurement has followed a rigorous competitive procedure with negotiation to get the best service outcomes for Milton Keynes. The process has drawn on expertise both from within the council and external specialists. This has included officers from technical, finance, legal, procurement, customer services, human resources, health and safety, emergency planning, sustainability, and IT, totalling over 30 officers, developing, and delivering all the necessary documentation and processes to complete the fully compliant procurement process over the last 18 months. This report sets out the procurement process applied and the outcome, resulting in the recommendation to award the contract to the most advantageous bid.

As well as ensuring the Council maintains service continuity and compliance with statutory requirements, the procurement process has enabled key corporate aims to be built into the new contract provisions such as increased efficiencies, greater social value provision, enhanced quality management and measurement, alignment with sustainability targets, and continued innovative solutions.

Subject to formal decision, the service commencement date under the new contract will be 1 September 2024 and the initial term will be eight years, with an option for the council to extend the term for two further periods of two years each, up to a maximum of twelve years in total based on performance.

## 1. Proposed Decisions

- 1.1 That the public and press be excluded from the meeting by virtue of Paragraph 3 (Information likely to Reveal the Financial or Business Affairs of the Authority) of Part I of Schedule 12A of the Local Government Act 1972, when the meeting considers **confidential Annexes A and C** to the report.
- 1.2 That the contract, with an initial term of eight years (with an option for the Council to extend the term for two further periods of two years each) be awarded to the tenderer who scored the highest in accordance with the Most Advantageous Tender evaluation identified in **confidential Annex A**.
- 1.3 That authority be delegated to the Director of Environment and Property to make any necessary decisions of a non-material nature and within any legal constraints permitted under the procurement process that has been followed to facilitate the execution of the contract and to finalise arrangements for mobilisation of the services.
- 1.4 That any recommendation to enact the available extensions within the contract be subsequently agreed by the relevant Cabinet member in sufficient time to allow for continued service delivery.

## 2. Reasons for the Decision

### Current Contract and the New Contract

- 2.1 The current Highways, Street Lighting and Network Infrastructure Contract Reference (CU2276A) delivers all highway related works operations for Milton Keynes City Council. This service is currently provided by Ringway Infrastructure Services Ltd (RIS) and is due to expire on 31 August 2024.
- 2.2 The council has a statutory requirement to ensure that a suitable mechanism is in place to manage and maintain all the Public Highway assets & Infrastructure to a safe a usable condition, as set out in the Highways Act 1980, which is currently carried out utilising the existing contract.

- 2.3 A Delegated Decision was taken on 2 August 2022 which approved the recommendation to re-procure the Highways, Street Lighting and Network Infrastructure Contract, ensuring that a new contract shall commence on 1 September 2024 (upon completion of the existing contract) to ensure continuity of service provision. From substantial internal and external specialist advice and market engagement, it was also agreed in the Delegated Decision that the initial term will be eight years, with an option for the council to extend the term for two further periods of two years each.

### 3. Background to the Decision

- 3.1 The new contract covers a wide range of services relating to all aspects of Highways and Transportation service delivery which are set out in Annex B Scope of Services as well as mechanisms to monitor and manage the contract and its performance to ensure that the council continues to get the best performing and efficient delivery of the contract throughout the 'lifetime' and that the quality and statutory elements are also always met.

#### Procurement Team

- 3.2 To develop and deliver the procurement documentation and process, a comprehensive multi-disciplined team across the Council has been involved including finance, legal, procurement, technical, facilities management, fleet, and project management, as well as external advisors providing Commercial, Commissioning, Contract and Legal assistance over six months in preparing the tender contract documents initially, which were developed further through the procurement process. The team developed documents engaging with different services which the contract supports. The number of council officers involved with tender preparation, negotiation, evaluation, and moderation has been extensive which has provided greater oversight to ensure robustness of process and substantive requirements.

#### Tender Process

- 3.3 On 12 May 2023, the Council published a Contract Notice advising of its intention to procure a contract for the Highways Infrastructure Term Service Contract. The Council conducted the procurement under the Competitive Procedure with Negotiation in accordance with Regulation 29 of the Public Contracts Regulations 2015 (as amended) and all the relevant provisions.
- 3.4 Competitive Procedure with Negotiation provided opportunity for the Council to have discussions with bidders following submission and evaluation of initial tenders but before the submission of final tenders. This gave opportunity for bidders to discuss and understand better the Council's requirements as published and thereby an opportunity for tenderers to improve their tenders to the benefit of the council.

### 3.5 The stages involved:

- **Stage 1** - preparation of all procurement documentation including the Contract Notice, PAS91 Selection Questionnaire, Invitation to Participate in Negotiation (ITPN), as well as draft conditions of contract and schedules, specification, performance management framework and pricing schedule.
- **Stage 2** - publication of the FTS Contract Notice, Selection Questionnaire (PAS91), and all draft procurement documentation followed by the evaluation of completed PAS91 Selection Questionnaires to select Tenderers to proceed to next stage.
- **Stage 3** - Invitation to Participate in Negotiation (ITPN) issued to Tenderers followed by the submission of Initial Tenders by midday on 25 August 2023. The council evaluated the Initial Tenders in accordance with the published evaluation criteria. Two negotiation sessions were then conducted with each Tenderer.
- **Stage 4** - the Council closed negotiations and issued the Invitation to Submit Final Tenders (ISFT), with Final Tenders required to be received by midday on 3 January 2024. The council has evaluated the Final Tenders in accordance with the published evaluation criteria.
- **Stage 5** - award stage.
- **Stage 6** - mobilisation of the services in preparation for the service commencement date of 1 September 2024.

### 3.6 Further details of the timetable and process can be seen in **confidential Annex C** Process and Timetable of Procurement.

#### Evaluation Criteria

### 3.7 The Council intends to award the contract based on the Most Advantageous Tender as published in the procurement documentation.

### 3.8 Initial and Final Tenders were evaluated using the Most Advantageous Tender criteria (see Table 1 below) by a suitably qualified and experienced panel of council officers and external consultants, comprising:

#### **Evaluation Stage 2A (Quality Submission)**

- MKCC Assistant Director Highways and Transport (Q1 to 22);
- MKCC Strategic Asset Manager (Q1 to 22);
- MKCC Major Projects and Development Control Manager (Q2,8,10,13,14,17);
- MKCC Highways Service Manager (Q6,7,11,12);
- MKCC Structures Team Manager (Q10,13,15,16,17,18);

- MKCC Programme and Strategic Projects Manager (Q4,13,14);
- MKCC Senior Sustainability Officer (Q20,21);
- MKCC Parking and Sponsorship Lead (Q4);
- MKCC Head of HR Operations (Q1);
- MKCC Head of Housing Maintenance, Investment and Corporate (Q2);
- MKCC Strategic Procurement Lead (Q22 - see paragraph 3.9 below);
- Technical Consultant (Q1,2,3,5,6,8,9,11,15,18,19,20,21,22); and
- Commercial Consultant (Q3,5,7,9,12,15,16,19).

### Evaluation Stage 2B (Pricing Submission)

- MKCC Assistant Director of Finance; and
- MKCC Senior Finance Manager.

Table 1 - Evaluation criteria and weightings (Invitation to Submit Final Tender)

Tier 1		Tier 2		Tier 3	
Criteria	Weighting	Criteria	Weighting	Criteria	Weighting
Quality	60%	Section 1 General	5%	Quality Question 1 – Pension	50%
				Quality Question 2 – CDM Functions	50%
		Section 2 Strategic	15%	Quality Question 3 – Vision & Overview	30%
				Quality Question 4 – Culture	30%
				Quality Question 5 – Organisation Structure, Contract Governance, and <i>key persons</i>	40%
		Section 3 Service Delivery	35%	Quality Question 6 – Operational Delivery of Risk Based Approach	20%
				Quality Question 7 – Winter Service	20%
				Quality Question 8 – Stakeholder Management	15%
				Quality Question 9 – Third Party Claims	10%
				Quality Question 10 – Technical advice and expertise	15%
				Quality Question 11 – Operational Delivery including resilience and business continuity.	20%
		Section 4 Contract Management	25%	Quality Question 12 – Mobilisation Programme	15%
				Quality Question 13 – Delivery of the Client’s Service Requirements Plan (CSRP)	15%
				Quality Question 14 – Project Management of Work Tasks	15%
				Quality Question 15 – Procurement, Supply Chain Management	10%
				Quality Question 16 – Quality Management System & Quality Plan	10%

Table 1 - Evaluation criteria and weightings (Invitation to Submit Final Tender)

Tier 1		Tier 2		Tier 3	
Criteria	Weighting	Criteria	Weighting	Criteria	Weighting
				Quality Question 17 – Asset Data – Information Model	15%
				Quality Question 18 – Asset Data – Lifecycle Planning	10%
				Quality Question 19 – Systems Solution and Processes	10%
		Section 5 Environmental	10%	Quality Question 20 –Carbon Reduction Plan	75%
				Quality Question 21 –Environmental Management Plan	25%
		Section 6 Social Value	10%	Quality Question 22 –Social Value Plan	100%
Financial	40%	Model 1 Core Tasks	50%	Not used	
		Model 2 Cost Component	15%	Equipment	50%
				Materials	50%
		Model 3 Work Tasks	35%	Basket of Goods	15%
				Model Work Task	15%
				Fee	70%

3.9 Following evaluation by individual evaluators, moderation meetings were held for each quality question and agreed scores reached. The moderation discussions were led by the Strategic Procurement Lead, with the exception of Question 22 that was led by a Procurement Manager. These were attended by relevant evaluators for the respective questions that were being moderated and were also attended by legal advisors to ensure compliance and consistency as well as the financial advisor and the project managers.

3.10 For Final Tenders, cross checking quality and pricing submissions was conducted in accordance with paragraph 4.5 of Appendix 4 (Evaluation Framework) to the ISFT during the period Monday 26 February to Friday 1 March 2024.

3.11 The Most Advantageous Tender evaluation of tenders resulted in the results shown in **confidential Annex A**.

**(a) The New Service**

The new contract includes all the services set out within **Annex B** (Scope), and includes key corporate aims and aspirations, as well as key performance efficiencies.

**(b) Efficiencies**

- The business as usual (BAU) elements of the scope are split into several 'core' activities which are to be programmed and delivered to a fixed price 'lump sum' ensuring that budgetary cost control and certainty is in place.
- Transferring cost uncertainty and risk to the provider.
- Increased suite of KPI/SPI measurements that are linked to both short term/long term pain/gain mechanisms and ultimately contract extension options.

**(c) Social Value Elements**

- An integrated and extensive social value component including working with local employment organisations supporting long-term unemployed, improving the skills of existing contractor's staff, and creating apprenticeships and work experience opportunities for more vulnerable residents.
- Actions to identify and manage the risk of modern slavery within the contract and with agency workers and sub-contractors and provide practical support for staff well-being.
- Strong utilisation of local supply chain partners to ensure local prosperity and business opportunity as well as locally sourced labour (including real living wage payment).
- Practical support, including provision of in-kind contributions to support local groups improve their local amenity increasing biodiversity. The contractor will provide a regular report on progress in implementing the social value measures.

**(d) Sustainability**

- Transitioning of the plant and fleet to sustainable options within the term of the contract.
- Increasing biodiversity both during the design and construction of any new infrastructure.
- Undertaking a 'Green audit baseline assessment' and then delivering against committed targets to assist the council to 'net zero' by 2030.
- Updating and improvements to the energy efficiencies and approach at the Synergy Park depot.
- Introduction of a Carbon Reduction Plan and Environmental Plan to ensure measurement and monitoring of delivery against the commitments.

**(e) Innovation**

- Introduction of substitute fuels for fleet.
- Increased use of alternative materials to reduce 'carbon production' but to also trial and embed new practices that will improve the road conditions and increase efficiencies.
- Improved and developed IT systems that will improve both the monitoring and managing of works and longer-term planning, to drive efficiencies and improve the customer and stakeholder experience.

**(f) Quality**

- Production and commitment to a Quality Plan and Quality statement.
- KPI/SPI monthly monitoring of performance against targets – including pain/gain implications and extension implications.
- Increased client oversight and percentage monitoring of works, 10% check on BAU works, 100% check on all scheme works.
- Ability to continually measure against market value and procure outside of the contract for larger works (over £5M).

Contract Management

3.12 The Authorised Officer for this contract is the Strategic Asset Manager (Service Manager as named in the contract). The client team includes subject matter experts across all core activities and major projects supported by a team of officers to administrate all elements of the contract. The new contract is to be supported with joint use of a highways maintenance works and asset management system (AMX) and a dedicated contract management system enabling transparent auditable records. The team will also include officers to monitor service / key performance indicators and financial payments through Open Book Cost Management (OBCM).

3.13 **Mobilisation** - the mobilisation of the new contract will enable the establishment of an enhanced facility at Bleak Hall depot, fully serviced to be able to deliver all aspects of an operational highways service whilst providing upgraded environmental and training credentials and adding value and innovation. Improvements to ICT, welfare facilities, and office accommodation will be established to allow for collaborative engagement between management teams including joint briefings and safety days. Mobilisation will see new systems and processes implemented to cover the complete requirements of the new contract as well as the need to undertake joint advanced contract training. Stakeholder engagement to include the launch of the new contract and an enhancement to communications at all levels, new staff PPE and fleet branding will enable an identity to be created aligned to



corporate values. Green Audit to establish baselines for carbon and biodiversity. Social Value SMART action plan jointly agreed. Delivery programmes to be reviewed and resourced in line with the council's annual Client Service Requirements Plan (CSRP) to start 'Day 1'.

- 3.14 **Service Review Frequency** - the contractor will prepare a detailed report to be presented at the monthly Highways Service Management Board (HSMB), the report will include current performance data, health and safety review, programme information, collaborative opportunities, social value achievements, innovation, carbon accomplishments and issues requiring action plans. A proposed Strategic Board will also meet at a frequency to be agreed at least six monthly to facilitate an open and honest partnership at senior level to facilitate an open exchange of ideas of strategic service delivery, reviewing the high-level financial position and an annual review of performance. The Council also holds separate internal monthly boards to scrutinise major projects, programmes and core activities evidencing progress, risks, issues, and finances.
- 3.15 **Performance Management** - plays a vital role in establishing the successful management and delivery of the highways service. The quest for continuous improvement, benchmarking of costs and setting of new and improved standards defines future efficiencies and improved methods of working.
- 3.16 The performance of the contract is specifically targeted to deliver the following service outcomes:
- quality assurance;
  - to have the best network condition for the investment available;
  - effective stakeholder engagement;
  - sustainable economic growth; and
  - carbon neutrality.
- 3.17 These are delivered through a range of Key Performance Indicators (KPIs) which in turn are derived from a range of Service Performance Indicators (SPIs).
- 3.18 The 'raw' performance data is captured in the council's highways maintenance management system (AMX) enabling a 'single source of truth' for extracting and presentation of performance outputs.
- 3.19 The performance management framework is underpinned by a process that includes the review of the performance indicators using an evidence-based audit process.
- 3.20 The SPIs reward model has been developed to financially reward the contractor in any service year for achieving levels of overall performance that meet or exceed the council's service requirements. However, in return for

additional financial reward, the contractor puts its declared profit at risk for overall poor performance.

- 3.21 In addition to this reward system for high performance, an extra social value 'pot' of 10% of the financial reward is to be re-invested into the contract.
- 3.22 Likewise, the KPIs model is designed to reward the Contractor at point of contract extension through an assessment of overall performance on key elements to ensure an extension is based on overall performance and a continued level of service is maintained throughout the whole period.
- 3.23 **Depot Management** - the highways contract makes provision for the management of Bleak Hall to be the full responsibility of the contractor. As part of the contract the full management lease for Bleak Hall depot is transferred for the duration of the initial contract and any potential extensions to the contractor (lease provided at a peppercorn rent). The contractor has provided experienced staff within its structure to fulfil all duties to manage and maintain the depot to comply with legal duties and standards identified in the lease. All utility costs are paid by the contractor. An area within the office space is to be set aside for the client team to enable co-location and full collaborative benefits to be realised.

#### 4. Implications of the Decision

Financial	Y	Human rights, equalities, diversity	N
Legal	Y	Policies or Council Plan	Y
Communication	N	Procurement	Y
Energy Efficiency	Y	Subsidy	N
Workforce	Y	Other	N

##### (a) Financial Implications

###### Financial Evaluation

The pricing of the contract falls into three sections: the Core Price (CORE TASKS) which is an annual lump sum for the BAU operations. Then there are Ad Hoc Activities (WORK TASKS) and the contractors FEE % that will be applied to any non-core price tasks.

The evaluation criteria allocated 40% to the price in the overall contract assessment and included the eight years of the Core Price costs plus a typical year of plant, equipment, basket of goods items, and a model scheme. The inclusion of all these areas allowed both a fair comparative assessment between the tenderers, and also an opportunity for the council to assess costs in a typical year for budget comparisons.

During the negotiation sessions with Tenderers, there was extensive discussions between both the Tenderers and the council to gain clarity on the costing assumptions of the tenders to minimise the amount of

risk being built into the tenderer costs (thereby reducing the cost to the council) but being clear on other assumptions that would impact on the cost over the life of the contract, such as inflation indices.

### Affordability

In terms of budget, the Ad Hoc Activities (WORK TASKS) and FEE % will be funded from the capital programme and any other one-off ad hoc funding that becomes available over the term of the contract. In effect, the level of works undertaken will be dictated by the capital or ad hoc budgets so there should be no anticipated overspend in these areas.

The Core Price (CORE TASKS) are essentially day to day BAU activities and will be funded by the highways contract revenue budget plus some depot related budgets (as the depot costs will now be paid for by the contractor rather than the Council). In terms of the works included in the Core Price, the costs included in the final tendered Pricing Schedule of the preferred tenderer is within the highway contractor budget for 2024/25. A one-off pressure of £0.500m was also included in the 2024/25 budget to cover both the council's project management costs and contractor mobilisation costs. An assessment of the use of this one-off funding will be made once mobilisation begins.

### (b) Legal Implications

The Council acting in its role as the designated Highway Authority has statutory duties to discharge in relation to the maintenance, safety, network management and overall operations of the Highway network and infrastructure within its administrative boundaries.

The duties are principally derived from the Highways Act 1980.

The Act does not prescribe the precise level of service to be provided, this being subject to local determination and for Milton Keynes this has been largely determined through the Milton Keynes Highways Infrastructure Asset Strategy.

The Council also has a duty to keep the highways clear of snow under the Railways and Transport Act 2003.

Approval to commence tender was given on 2 August 2022. The procurement process followed is Competitive Procedure with Negotiation in accordance with Regulation 29 of the Public Contracts Regulations 2015 (as amended) and all the relevant provisions.

The Council's contract procedure rules require that approval is obtained to commence tender and further approval is obtained to award a contract following completion of the procurement process.

The procurement has been conducted in accordance with the published award criteria and in accordance with the Public Contracts Regulations 2015 (as amended). The report therefore requests approval to award a contract that will replace the current contract when it expires.

(c) Policies or Council Plan

This decision supports:

- The Council Plan commitment to do the essentials well (Well-maintained highways and infrastructure).
- The Asset Management Policy, Strategy and Plan, which are directly related to the objectives within the Council Plan.
- The Transport Policy and Strategies, which will be fundamental in delivery of the physical aims of the new mobility strategy.
- Local Transport Plan 5, which sets out the council's vision-led transport strategy to deliver a balanced, sustainable, and inclusive transport plan for MK alongside the emerging New City Plan.

(c) Human Rights, Equalities and Diversity

The Contract makes provisions to protect human rights and deliver equality and diversity.

(d) Workforce

There are TUPE implications which require compliance with the Transfer of Undertakings (Protection of Employment) Regulations 2006.

(e) Communication

A communication and engagement plan will be prepared for service change to all stakeholder with the successful Tenderer as part of mobilisation of the new contract.

(f) Energy Efficiency

Initiatives to support the Greenest City have been considered in the tender including alternative fuels for its fleet. Compared to the existing contract, vehicles will either be converted / replaced with a suitable alternative fuel type where appropriate.

As part of the new service, the Council will be setting the carbon baseline with the new contractor, based on the evaluation exercise, it is evident that the baseline will be an improvement to the 'current' contract and will bring wider energy savings as a result of other activities such as scheduling systems to create efficiencies in resource utilisation.

(g) Procurement

The Council has conducted the procurement under the Competitive Procedure with Negotiation in accordance with Regulation 29 of the Public Contracts Regulations 2015 (as amended) and all the relevant provisions.

## 5. Alternatives Considered

### 5.1 Do Nothing

This is not an option as the current contract expires on 31 August 2024.

### 5.2 Not to Award the Contract to the Highest Scoring Tenderer

The implications of not awarding the contract are contained within **confidential Annex A**.

## 6. Timetable for Implementation (anticipated)

Activity	Date
Call-in expires (5pm)	2 April 2024
Send Award Notification Letter	2 April 2024
Mandatory Standstill Period ends (midnight at the end of)	12 April 2024
Earliest possible date to enter contract	15 April 2024
Service Commencement Date	1 September 2024

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## List of Annexes

Annex A Evaluation Criteria, Weightings, and Tenderer Scores (exempt)

Annex B Scope of Services in the Highways Infrastructure Term Service Contract

Annex C Process and Timetable of Procurement (exempt)

## List of Background Papers

[Delegated Decisions Report 2 August 2022 Re-Procurement of the Highways, Street Lighting And Network Infrastructure Contract](#)

[Contract Option Assessment - Insource vs Outsource and Split/Framework Contracts – Annex A](#)