



meeting **ENVIRONMENT AND SUSTAINABILITY SELECT COMMITTEE**

date **30 JANUARY 2006**

agenda item number

## REPORT OF THE DIRECTOR OF ENVIRONMENT

### HIGHWAYS PARTNERSHIPS - UPDATE

#### Purpose of Report

1. To provide an update on the background and latest position on Highway Partnerships.

#### Partnership with an External Contractor

2. The outcomes of the Best Value Review of Highway Services were approved by Cabinet in June 2003. The Review concluded that the existing compulsory competitive tendering regime was administratively complex and expensive to operate. In response to these conclusions, it was decided to take the opportunity to develop highways services based on the principles of the Government's 'Rethinking Construction' agenda. This would create a more efficient and effective way of resourcing service delivery using both in-house and external resources.
3. The Cabinet meeting on 23 July 2003 approved action by the Director of Environment, in consultation with the Head of Legal Services, to negotiate and agree contractual terms for a partnering agreement.
4. Under the terms of the partnership contract, the chosen partner is required to be an additional resource available to the Highways Operations Group to work alongside the in-house resource in the delivery of highway maintenance and improvement schemes.
5. The procurement process followed European Union requirements, with legal advice provided by the County Council's Legal Services. An official EU notice was published in November 2004, and 42 applications for the pre-qualification questionnaire were received, with 18 fully completed responses being submitted. From these the top five companies were invited to submit tenders.
6. The formal Invitation to Tender was issued in April 2005. This consisted of a quality submission counting towards 70% of the overall score and a priced submission covering the remaining 30% of the score.

7. Following comprehensive assessment of all five bids, Tarmac Ltd was chosen as the preferred bidder and invited to enter into negotiations to confirm final contractual terms prior to formal contract award.
8. The negotiation phase involved gaining agreement between Tarmac and the County Council on the following issues:
  - (i) Works pricing/costing mechanism.
  - (ii) Approval of tendered works rates.
  - (iii) Accounting/invoicing arrangements.
  - (iv) Performance management.
  - (v) Management arrangements.
  - (vi) Mobilisation and operational matters.
  - (vii) Legal issues.
9. All of the issues referred to in paragraph 8 have been agreed between the County Council and Tarmac Ltd and have been included in the formal Contract drawn up by the County Council's Legal Services for execution between the two parties. Cabinet approved the signing of the Contract on 7 December 2005 and this is anticipated to take place shortly.
10. It is anticipated that following the signing of the Contract by both parties, Tarmac will be in a position to commence works within Nottinghamshire under the partnership contract in mid-January 2006.
11. The Contract covers a ten year period, with annual reviews based on measurement of performance. The basis of the Contract is a "cost plus" approach with full access to the Partner's costs and accounts by the County Council and a pain/gain mechanism in place to share risks and the costs of any variations in the out-turn costs of works. The Contract contains mechanisms for ensuring value for money and to gain benefits from innovation and early involvement by the Contractor.
12. The anticipated annual value of the work to be given to Tarmac Ltd is approximately £8 million, but this will be dependent upon available finances and is not guaranteed under the Contract. The upper limit for individual schemes to be carried out under the Partnership by Tarmac is £1 million. It is not anticipated that the available workload for in-house staff in the Highway Operations Group will be reduced as a consequence of the Partnership being in place.
13. Benefits to be gained by the County Council under the Partnership include:
  - Additional flexibility to deal with variations in workload
  - Access to specialist expertise
  - Reductions in procurement costs for highway services
  - Joint working with the private sector
  - Compliance with modern thinking on provision of services
  - Innovation and ongoing efficiency improvements over time
  - Opportunities for development of County Council staff

14. The Tarmac Partnership will form part of the over-arching "Nottinghamshire Highways Partnership" (NHP) which will also include the County Council's own service providers, the District Councils within the "Manage and Operate Partnership" and the external consultant/provider of Highways Professional Services which is currently Jacobs Babbie.
15. Partnering Days are being held with Tarmac to develop systems and build good working relationships between the stakeholders involved in the Nottinghamshire Highways Partnership.

### **Manage and Operate Partnership**

16. The Best Value Review of Highway Services outcomes as approved by Cabinet in June 2003 included a recommendation to negotiate and implement a Manage and Operate Partnership arrangement with the Highway District Agencies.
17. This was to replace the previous Highway Agencies with Gedling, Rushcliffe, Broxtowe, Mansfield and Ashfield for the delivery of highway services, which dated back to 1974.
18. The "Manage and Operate" model was proposed by external consultants from APSE (the Association for Public Service Excellence). The outcome of the Manage and Operate Partnership was designed to be a system based upon common standards, which promoted cost effectiveness and customer focus, provided fair and equitable reimbursement and was driven by performance management and continuous improvement. It also lent itself to partnership working.
19. Gedling Borough Council and Rushcliffe Borough Council indicated that they did not wish to join the new Partnership.
20. A Manage and Operate Steering Group was formed in June 2004 to develop the Partnership Operating Framework (POF) which would be the core agreement between Members of the Partnership. Four sub-groups were established to report to the Steering Group and develop key areas as follows:
  - ICT and Systems
  - Financial arrangements, management and remuneration
  - Performance measurement and management
  - Procedures and operations
21. The POF was produced for the end of March 2005 and the Steering Group was replaced by the Partnership Management Board. Further development work has continued by the various Sub-groups.
22. The ICT Group has stood down as they have produced a web based method of providing NCC data and systems to all the MOP Partners.
23. The Finance Sub-Group continues to develop the working mechanism to allow the MOP to function after this initial development year.

24. The Performance Management Sub-group has determined 15 indicators and collection of data has commenced.
25. The Procedures Group has developed the process maps connected with the MOP and further work has continued on these and their tie to NCC's own processes and procedures.
26. The Operational Board was formed to deal with the day to day operations of the MOP and to serve as a focal point for the subgroups to allow the Partnership Management Board to concentrate on high level decisions.
27. It is intended that the Manage and Operate Partnership procedures will be developed for full implementation from 1<sup>st</sup> April 2006.

#### **RECOMMENDATION**

28. It is RECOMMENDED that the Committee note the report.

PETER WEBSTER  
Director of Environment

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