



FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

CABINET

Thursday, 13 January 2022

Report of the Executive Director - Place

**Highways, Transport and Environmental Professional Consultancy
Services Partnership Contract**

(Cabinet Member for Highways, Assets and Transport)

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is a key decision because it is likely to result in the Council incurring expenditure which is, or savings which are significant having regard to the budget for the service or function concerned (this is currently defined as £500,000) and/or it is likely to be significant in terms of its effect on communities living or working in an area comprising two or more electoral areas in the County.

3. Purpose

3.1 To seek Cabinet approval to appoint a Project Team to commence a procurement exercise and develop a detailed business case to commission a Highways, Transport and Environmental Professional Consultancy Services Partnership contract to support the delivery of a wide variety and volume of highway, transport and other works in the Council's capital programme.

4. Information and Analysis

Background

- 4.1 Since the late 1990s, Derbyshire County Council has adopted a mixed economy of in-house and partner consultants in the design of highway, transport and environmental capital projects. This model has provided operational flexibility, at the same time as providing a wide range of services to address peaks and to provide specialist services and capabilities, some of which are not available in-house.
- 4.2 It is of critical importance that the Council can design and deliver its Highway, Transport and Environmental Capital programmes and projects effectively and efficiently to meet strict funding windows and deliver 'Value for Money' services for its residents. High performance provides good customer satisfaction and helps with future bids for other projects vital for the County's economic growth and well-being. It also assists the Council secure performance-related funds from Central Government that make up the majority of the Council's maintenance funding settlements.

Current ways of Working

- 4.3 The in-house Highway Design Service currently has the capacity to deliver approximately £2m of designs per year. Since 2011, top-up consultancy services have predominantly been provided through a framework contract procured by the Midlands Highways Alliance (MHA). Since April 2019, the Council has commissioned over £13.5m of professional services through the MHA framework.
- 4.4 Over the past few years, the Council has seen a significant increase in Government funding for the highways capital programme and major projects. At the same time, the Council has experienced shortages in staff which has led to a backlog in delivery of the capital programme.

Proposed Way Forward

- 4.5 The value of Highways, Transport and Environmental Professional services expected over the next 10 years could be up to £10m a year representing approximately £80m-£100m over the life of an 8–10 year arrangement. This value greatly exceeds the capacity of the existing in-house resources and maintaining this model without new arrangements would mean the Council being unable to deliver all its current and future capital highways programmes within the required timescales. This could have led to visible and structural deterioration of the network, reputational damage with residents and stakeholders, the possible loss of external funding and the raising of highway safety issues.

- 4.6 The Council has initiated a new recruitment drive to address the large number of vacancies within the service and engaged with a wide variety of alternative providers to identify the options available to increase support to the in-house service. Additionally, the Council is utilising a wider range of different national and regional frameworks which will enable the Council, in the short-term, to commission more projects to be designed from its capital programme than it was previously able to whilst future more sustainable arrangements are developed and put in place.
- 4.7 There are a range of different Highways, Transport and Environmental Professional Service options which the Council may implement ranging from a fully in-house service to a fully out-sourced service. These options have been assessed and the Council's preferred option is for an in-house service plus "top-up" arrangements with an external long term partner that better integrates external resources in supporting the in-house service. The strategic aims of this arrangement are:
- To ensure delivery of the Highway Capital Programme and Major Projects.
 - To deliver increased value for money and savings for the Council.
 - To improve customer satisfaction.
- 4.8 This model will blend the local knowledge of Council staff with private sector skills and innovation in a flexible approach and enable the Council to design and deliver its highways capital programme and major projects with greater value for money. The key providers within the market are most attracted to this model and all have examples of successful partnerships with other County and Unitary Councils. The particular attractiveness of Derbyshire to the market is the size of the forward programme, the potential value of the new arrangement and that an existing complex contractual arrangement does not currently exist.
- 4.9 In developing this preferred arrangement, it is of note that the Local Authority highways sector is still an attractive market for the private sector but, within the next five years, 24 local highways authorities will be coming to the end of their current highways delivery arrangements with their existing providers, be they construction, design or both. Soft market testing and experience has indicated that merely having available work is not sufficient to attract private sector support and providers are increasingly selective about those who they wish to partner with. Therefore, in order to make a future long-term partnership and procurement exercise successful, the Council, and the form of contract chosen, needs to be as an attractive as possible (ways of

working, types of work, location/accommodation, facilities, systems, etc) to prospective partners, together with an alignment of values.

- 4.10 The procurement exercise is likely to take up to 18 months with a target start date of April 2023 to coincide with the expiration of the current MHA Framework. A Project Team and board will be appointed to develop the project, procurement process and final business case to commission the best partner for the Council.

5. Consultation

- 5.1 Early engagement and consultation with the prospective providers to ensure the market is supportive of the intended procurement strategy and listen to any ideas or suggestions which would improve both market engagement and contract performance.

6. Alternative Options Considered

- 6.1 The full options appraisal is contained within Appendix 2, Outline Business Case, which considers five Options to improve the design element of the highway, transport and other works in the Council's capital programme.
- 6.2 The table below outlines the five options considered and provides a summary of the key findings.

Option	Description	Appraisal Summary
1	In-house design service	Would require significant investment which in itself would not guarantee a successful outcome as the market would likely counter react to retain their resources.
2	In-house with top-up from Regional/National Frameworks	Frameworks do provide access to appropriate resources, however the short-term nature makes building a long term partnership which maximises value for money challenging.
3	In-house with top-up from own Framework	Market feedback has shown this option to be unattractive and unlikely to deliver the high-quality outcomes being sought due to the relatively small value

		of commissions spread across the Framework.
4	Highways, Transport and Environmental Professional Consultancy Services Partnership	Long term approach which builds on the partnering ethos allowing the Council to include a broad range of performance measures to demonstrate the effectiveness and efficiency of the contract.
5	Out-sourced design service	This model would be attractive to the market, however this option is not aligned with the Future Highways Model transformation programme and would carry higher risks for the Council.

7. Implications

7.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

8. Background Papers

8.1 None identified.

9. Appendices

9.1 Appendix 1 – Implications

9.2 Appendix 2 – Outline Business Case.

10. Recommendations

That Cabinet:

- a) Authorises the Executive Director - Place to commence the procurement exercise to commission a Highways, Transport and Environmental Professional Consultancy Services Partnership to support the Council in delivering its capital programme.
- b) Authorises the Executive Director - Place to approve the appointment of a Project Team to undertake the procurement exercise and develop a detailed business case to commission a Highways, Transport and Environmental Professional Consultancy Services Partnership.

- c) Notes that following completion of the tender process, Cabinet will be requested to approve the award of contract to the preferred bidder.

11. Reason for Recommendations

- 11.1 To gain approval to appoint a Project Team to commence a procurement exercise and develop a detailed business case to commission a Highways, Transport and Environmental Professional Consultancy Services Partnership contract.

12. Is it necessary to waive the call in period?

- 12.1 No.

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Implications

Financial

- 1.1 The estimated costs for the Project Team to develop the project, manage the procurement process, deliver a final business case and mobilise the contract is £250,000. This cost will be met from the Place Underspend Reserve. As the project is of significant value and importance to the Council, a Project Board will be established to govern the delivery of the project and ensure that the business case objectives are met within the project timescales and costs.

Legal

- 2.1 The procurement exercise will be undertaken in accordance with the new UK procurement regulations. A legal representative will be appointed to the project team by the Director of Legal and Democratic Services who is satisfied that, based on the information contained in the report, it is appropriate to commence the procurement exercise as proposed.

Human Resources

- 3.1 The proposal is specifically designed to assist with the Department's current recruitment and retention challenges and address the skill gaps and specialist service provisions.

Information Technology

- 4.1 None.

Equalities Impact

- 5.1 No requirement for an EIA at this stage, although this will be kept under review throughout the procurement phase.

Corporate objectives and priorities for change

- 6.1 This proposal will contribute directly to delivery of the Highway, Transport and Environmental Capital Programmes and the Future Highways Model which is the Highway Service transformational programme.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 NA.